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INDIAN EXPENDITURE COMMISSION.

VOL. III.

MINUTES OF EVIDENCE

TAKEN BEFORE THE

ROYAL COMMISSION

ON THE

ADMINISTRATION OF THE EXPENDITURE OF INDIA;

108947

WITH

INDEX, ANALYSIS, AND APPENDICES.

Presented to both Houses of Parliament by Command of Her Majesty.

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1 98000. Wt. 5366.

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Police expenditure, *Jacob*, 7610–3.

Land Revenue charges, *Jacob*, 10,873–9, 10,880–9, *Bernard*, 1747–50.

Excise Revenue charges, *Jacob*, 11,149.

Bombay Customs charges are Imperial, *Jacob*, 11,203–4.

Criticisms on the Civil Departments in the Bombay Presidency, *Gokhale*, 18,465–507.

Irrigation. *See* Irrigation, 1, *d*.

BRACKENBURY, LIEUT.-GENERAL SIR HENRY, K.C.B., K.C.S.I. Formerly Military Member of the Governor-General's Council. Evidence, pp. 39 and 55, and Analysis of Evidence, p. xxxv.

BUDGET, THE.

1. *Generally.*

The Finance Member is amply informed of proposed expenditure, *Barbour*, 1872–6, 1954–5, *Colvin*, 2962–4. Means by which he gains information bearing on Revenue questions as regards Departments directly under him, *Barbour*, 1975–8, *Colvin*, 2965–7, *Waterfield*, 447–52, and as regards other Departments, *Barbour*, 1957–74. *Colvin*, 2965–73, *Cromer*, 13,594–604, *Waterfield*, 452–60. Accounts of revenue and expenditure furnished to the Financial Member by the Comptroller-General, *Waterfield*, 432*a*–46. These are sufficient, *Barbour*, 2033–7. *Colvin*, 3031–5. The presence of an expert head of each Revenue Department at headquarters might be convenient to the Financial Member, but would be a mistake, because he could not manage details throughout India. *Barbour*, 1964; the advantage would not balance the cost, *Colvin*, 2974, 2978–81.

The cost of having officers analogous to the French Inspectors-General of Finance would not be compensated by the advantage, *Colvin*, 2975–7. Any special inquiry into Revenue questions would be made by the Financial Member or his representative through the Provincial Governments, *Barbour*, 1975–8.

It is not possible for the Finance Department to make a close estimate of revenue for any particular year, *Barbour*, 2038–43. The Budget Statement cannot give an actual account of the revenue and expenditure of the expiring year; it deals with estimates as to about two months, *Barbour*, 2051–64; this causes some inconvenience, but the system is inseparable from the circumstances of India, *Colvin*, 3044–6. The Budget estimate provides only for receipts and expenditure actually expected to be received or paid within the year, *Waterfield*, 333.

The Budget is presented to the Legislative Council in the last week in March, *Waterfield*, 303; this date, which is just at the close of the financial year, is determined chiefly by climatic considerations, *Colvin*, 3040–5. It is also desirable that the estimates should be sanctioned and distributed before the close of the year, *Barbour*, 2065–6. The criticisms passed by the Legislative Council are useful, but it would not be desirable to allow amendments to be passed by non-official members,

Lansdowne, 16,125–32. Proposal to give non-official members power to move the reduction of expenditure, *Banerjea*, 19,090–6.
Proposed facilities for criticising the Budget, *Wacha*, 17,150–94. *See also* LEGISLATIVE COUNCILS.
See also Jacob, 20,186.
There would be an inconvenience, and no great advantage, in making up the Budget after the close of the financial year, *Cromer*, 13,607–20.
Reasons for the close of the financial year in March, *Waterfield*, 16,898–901.
2. *Process of Framing the Budget.*
The various District and Departmental Offices prepare their estimates in October, these the respective Departments combine and send to the Provincial Governments, for whom the Accountants-General combine them into a Budget by about the middle of January, *Waterfield*, 304–7, 887–8. The Civil Budgets are submitted to the Finance Department of the Government of India by the 15th January, the Military and Public Works Budget towards the end of February; the Financial Member has thus about three weeks to consider the latter, *Waterfield*, 308–15.
The process of the examination of the Budget by the Finance Department, *Waterfield*, 321. The estimates of the expenditure by the Provincial Governments are framed on the basis of the revenue of the current year, *Waterfield*, 1069–77, and are subject to revision by the Central authority, *Barbour*, 1946–53. Excess of expenditure over Budget grant must be sanctioned by the Central Government, and met from Provincial balances, *Waterfield*, 808–12. New expenditure must coincide with the new financial year, and the insertion in the Budget of a charge requiring special authority is not a sanction for incurring expenditure, *Waterfield*, 821–2.
3. *Revised Estimates.*
Details of information on which the revised estimate is framed, *Waterfield*, 413–8. The revised estimate deals with expenditure as admitted, and not with Treasury issues, *Barbour*, 2046–7. The revised estimates invariably exceed the Budget Estimates, *Wacha*, 17,220, 17,785–803.
Budget Estimates compared with Revised Estimates and Accounts. *See* APP. 76, p. 360, Vol. III.
4. *The Military Budget.*
Every Military Disbursing Officer, by a fixed date, sends to the Controller of his Command the estimate of his requirements for the ensuing year, based on existing facts; the Controller compiles these estimates, and sends them to the Military Accountant-General, who consolidates them into one estimate for all India (making any alterations he thinks fit), which he submits to the Military Member by the 25th January, *Newmarch*, 1215–27; *Waterfield*, 316–20; *Collen*, 3514–8, 3571–3 (12th February, *Collen*, 3515). The Government of India has thus two months to consider it; *Newmarch*, 1229–30, and during these two months consultations take place between the Commander-in-Chief, the Military, and Financial Members of Council, *Newmarch*, 1209–28. The Financial Department has opportunities of criticising the estimate, *Brackenbury*, 14,463–70. Considerable modifications are often made at headquarters, *Newmarch*, 450–5; *Collen*, 3552–3, and during their upward course the estimates become much altered, advantage being taken of the latest information, *Collen*, 3530, 3546A–51.
There is no formal decision arrived at annually on the Budget as to the Military Policy, the establishment being fixed, *Waterfield*, 322–32.
The Budget as a whole is finally accepted by the Governor-General in Council, *Newmarch*, 1231–7.
Necessity for the Secretary of State's sanction in cases of large contemplated increases, *Newmarch*, 1406–10. The estimates for services in England are received from the Secretary of State, and are occasionally revised on the representation of the Governor-General. *Newmarch*, 1461–6. Accounts of Military expenditure rendered to the Military Member. *Waterfield*, 362, 384–95.
A large part of the charges are fixed, subject to great variations in the price of victualling stores, and in the rates for labour and material, *Collen*, 3519–29. The sums available for proposed improvements are discussed between the Military and Financial Authorities before they are placed on the Estimates, *Collen*, 3583–6. The Military Department receives reports on the cash issues from the Treasuries, by which their own reports on the progress of expenditure are checked, *Collen*, 3532–43. Method of dealing with proposals involving expenditure, *Brackenbury*, 14,471–8.
Demands arising too late for insertion in one year's budget are carried forward at the head of the list for next year, *Collen*, 3578–80. Large immediate demands, as for an expedition, must be sanctioned by the Financial Department, *Collen*, 3652–61.
5. *The Public Works Budget.*
The Public Works Budget is primarily prepared by the Provincial Governments, who, together with the Managers of State Railways, furnish the Public Works Accountant-General with their estimates, *Waterfield*, 316–20.
The amounts which can be found from Provincial and Local Funds, and from Imperial Funds for Public Works, are settled by the Provincial and Imperial Governments respectively, and the latter informs the Provincial Governments what works it proposes to carry out within their provinces; the Provincial Governments send their Budget estimates in on the 15th January to the central Public Works Department; they are then revised and criticised, and the combined estimate is submitted to the Governor-General in Council by about the 15th February. There is thus at this stage only about a month for consideration, *Becher*, 1509–19.
In the previous October, however, a preliminary forecast of proposed expenditure has been submitted by the Provincial Governments, and the Budget is prepared for the amount then arranged, *Becher*, 1519.
The Provincial Governments practically settle the amounts available for their own wants, *Becher*, 1649–50; their powers of sanction without superior authority are limited in respect of expenditure for any individual work, *Becher*, 1667–71.
There is a similar restriction upon the Government of India, *Becher*, 1672–3.
Small alterations are frequent, but large alterations are rare, in the final stages of the Budget, *Becher*, 1519–20, 1633–41.
The Financial Department informs the Public Works Department what money can be provided for Imperial Works, and the latter distributes the money in the manner it thinks best, providing for works in progress and for necessary repairs in preference to new works, *Becher*, 1521–7.
Proposals to pay for works out of borrowed money must be sanctioned by the Secretary of State, and such works must be of the "productive" class (definition of "productive," *Becher*, 1532); these are usually Railways and Irrigation Works, *Becher*, 1528–36. Building and Roads would be entirely provided for out of revenue, *Becher*, 1542. Military Works having only been transferred to the Military Works Department of recent years from the Public Works Department, for convenience, the estimate, though prepared by the Director-General of Military Works, is included in the Public Works Estimates, *Becher*, 1543–52, 1674–1711.
6. *Estimate for Services in England.*
These are prepared in November on the Indian system, *Waterfield and Cave-Browne*, 2585.
They are sent to India in a despatch, and revised figures are telegraphed in March, *Waterfield* and *Cave-Browne*, 2587. Representations by the Government of India are at this stage confined to the most important questions, *e.g.*, the issue of a loan, &c., *Waterfield* and *Cave-Browne*, 2588–94.
7. *Provincial Budgets.*
Provincial estimates are framed on the basis of the revenues of the current year (*Waterfield*, 1069–77), subject to revision by the Central Financial Department, *Barbour*, 1946–53.
Excess of expenditure over budget grant must be sanctioned by the Central Government and met from provincial balances, *Waterfield*, 808–12.
New expenditure must coincide with the new financial year, and the insertion in the Budget of a charge requiring special authority is not a sanction for incurring such a charge, *Waterfield*, 821–2.
The Estimates of each District or Departmental office (*Waterfield*, 305) are revised and corrected by the head of the Department, who sends them to the Accountant-General. He, after seeing whether the proposed expenditure is regular, passes them

on to the Provincial Government, which makes any alteration it thinks fit and returns them to he Accountant-General for compilation. The compiled Budget is then submitted by him to the Provincial Government with his observations thereon, and at the same time forwarded to the Comptroller-General; the Provincial Governments, by 16th January, submit their Budgets to the Government of India in the Financial Department; this leaves about two months for correspondence on disputed points, *Waterfield*, 887–8.

Once the provincial budgets have been accepted by the Supreme Government there are no means of amending them, *Banerjea*, 19,097–100.

BUILDINGS AND ROADS. CIVIL.

The Administration is generally Provincial, *Jacob*, 10,684–5. The works are carried out by the Public Works Department, *Jacob*, 10,707–11.

Expenditure.

Net expenditure 1875–6, Rx. 2,753,511, and 1893–4, Rx. 3,898,531; charges in England 76,884*l.* and 2,583*l.*, *Jacob*, 10,704–6. The bulk is for main communications Rx. 2,000,000 in 1893–4, *Jacob*, 10,688–703.

There is room for almost unlimited increase under this head, *Jacob*, 19,995–20,002.

BURMA.

Cost of Burma, *Waterfield*, 12,216.

Increase of Police expenditure due to acquisition of, *Jacob*, 7601–2. Diminution expected, *Jacob*, 7605–7. Actual expenditure, *ib.*, 7642–9. Exception to the rule that the Police Administration is Provincial, *ib.*, 7654–6.

Increase in expenditure under Secretariats due to annexation of Burma, *Jacob*, 9172–7, 9253.

Increase in Land Revenue, *Bernard*, 1747–50.

Increase under the head of General Administration due to Burma, *Jacob*, 9223–38.

The cost of General Administration in Burma, 1875–6 and present time, *Jacob*, 9244–52.

Marine charges in Burma, *Jacob*, 9814–5, 9822–3, 9837–41. Political charges, *Jacob*, 10,137. Territorial and Political Pensions, *Jacob*, 10,205–7. Expenditure on Buildings and Roads, *Jacob*, 10,867, 10,704–6. Land Revenue charges, *Jacob*, 10,867. Forest Revenue, *Jacob*, 11,008–14. Exemption of Burma from Income Tax, *Jacob*, 11,217–8. Increase of Military force absorbed by Burma, *Collen*, 6651–4.

CALCUTTA.

Police expenditure, *Jacob*, 7608–10. Arrangements under which the city is policed, *Jacob*, 7614–6.

Usefulness of an unofficial check on expenditure, *Banerjea*, 19,142–51.

CANALS, *see* IRRIGATION.

CAPITATION RATE. *See* MILITARY FINANCE, 3 *b*, p. xxi.

CARDIN, MR. JAMES, Receiver and Accountant-General of the General Post Office. Evidence given by, *see* p. 477, and Analysis of Evidence, p. ii., Vol. I., First Report.

CAVE-BROWNE, MR. EDWARD RABAN, C.S.I., Accountant-General in the India Office. Evidence given by, *see* p. 96, and Analysis of Evidence, p. xvi., Vol. I., First Report.

CEYLON.

Unofficial check on expenditure, *Banerjea*, 19,152–9.

Expense of conquest should be refunded to India, *Gokhale*, 18,528.

CHANCELLOR OF THE EXCHEQUER.

Comparison of his powers and duties with those of the Financial Member of Council, *Barbour*, 1823–32, 1957–2043, *Colvin*, 2881*a*, 2962–88, *Waterfield*, 19–29, *Cromer*, 13,508–10. The support afforded to the Chancellor by Parliament, *Cromer*, 13,511–7.

CHAPLAINS.

Of all denominations, *see* ECCLESIASTICAL.

CHELSEA AND KILMAINHAM HOSPITALS, *see* MILITARY FINANCE, 3 *c*. 6.

CHIEF COMMISSIONER.

The minor provinces (Assam and the Central Provinces) are administered by Chief Commissioners, *Waterfield*, 10–5.

CHINA CONSULATES.

Now that the trade is no longer the monopoly of the East India Company, the Colonies should share the cost, *Waterfield*, 14,978–85.

The Secretary of State for India having protested against the high amount of India's contribution, an annual amount of 15,000*l.* was agreed upon, finally reduced by the Foreign Office Conference to 12,500*l.*, *Waterfield*, 12,415. Variations due to fall of rupee, *ib.*, 12,416. Heaviness of the burden on India, *Waterfield*, 12,450. Question of assessing payments in rupees, *Waterfield*, 12,459–78. Basis of the protest of the Government of India, *Waterfield*, 12,417–30. Imperial interest in the trade, *Waterfield*, 12,431. Question of the relative interest in China of India and the rest of the British Empire in proportion to trade, *Waterfield*, 12,438–9, 12,455–6.

CHITRAL.

Expenditure, *Waterfield*, 12,161–83, and *see* APP. 41, p. 246, Vol. II., First Report. Deficit caused by the Chitral Expedition, *Brackenbury*, 14,395–7.

CIVIL BUILDINGS AND ROADS, *see* BUILDINGS AND ROADS.

CIVIL SERVICE IN INDIA, *see* PENSIONS.

CLOTHING. Expenditure in India, *see* MILITARY FINANCE, 2 *a*.

COLLEN, MAJOR-GENERAL, SIR EDWIN H., K.C.I.E. Military Member of the Council of the Governor-General. Evidence given by, *see* pp. 136, 201, 221, 385, 405, and Analysis of Evidence, pp. xxi., xxvii., xxviii., xliv., and xlv., Vol. I., First Report.

COLONELS' ALLOWANCES.

Reasons for the increased charge; the charge will soon decrease, *Jacob*, 10,712–5.

COLVIN, SIR AUCKLAND, K.C.S.I., formerly Financial Member of the Council of the Governor-General. Evidence given by, *see* p. 117, and Analysis of Evidence, p. xx., Vol. I., First Report.

COMPENSATION ALLOWANCE.

Partly paid by Provincial Governments, *Waterfield*, 840–6, *see also* EXCHANGE.

Compensation to Military Officers, *Brackenbury*, 14,737–67.

COMMANDER-IN-CHIEF, THE.

1. IN ENGLAND.

Evidence given by, *see* WOLSELEY.

Comparison between the offices of Commander-in-Chief in England and in India, *Collen*, 3329–35.

2. IN INDIA.

Evidence given by former Commander-in-Chief, *see* ROBERTS.

He is an Extraordinary Member of the Executive Council of the Governor-General, *Colvin*, 3216–8, *Collen*, 3329; but he is not necessarily a member of Council, *Waterfield*, 14,923–7; he is not a regular attendant, *Roberts*, 15,526–32. Value of the Commander-in-Chief's presence in Council, *Brackenbury*, 14,557–9. The relative positions of the Military Member of Council and the Commander-in-Chief, *see* MILITARY MEMBER. The Commander-in-Chief has no power of sanctioning expenditure, but only a power of spending Rs. 2,500 in any one case up to a limit of Rs. 10,000 in any month, on certain conditions, *Collen*, 3581–2. Generally, it is his duty to see to the welfare and the efficiency of the Army, and to see that money is properly expended on those objects, *Roberts*, 15,535. In matters other than Military, the Commander-in-Chief would usually support the Viceroy and the Finance Member of Council, *Roberts*, 15,537–44, 15,559.

He is the chief adviser of Government in all matters connected with the organisation of the Army, but not necessarily in regard to policy, *Roberts*, 15,561–2.

The Commander-in-Chief may appeal against the decisions of the Military Member of Council, *Brackenbury*, 14,514–6. The settlement of differences between the two, *ib.*, 14,517–22, 14,479–83.

See also GOVERNMENT OF INDIA, 6.

COMMERCIAL SERVICES, *see* POST OFFICE, TELEGRAPH, RAILWAYS AND IRRIGATION.

Amongst the reproductive public works undertaken by the State in India, are some collieries and petroleum wells, but they are comparatively small, *Jacob*, 7700–7.

COMMISSARIAT, Expenditure on, *see* MILITARY FINANCE, 2 *a*.

Disbursing Officers, *see* DISBURSING OFFICERS, *b*.

COMPTROLLER AND AUDITOR GENERAL, THE.
Detailed list of his duties, *Waterfield*, 76–9. He is generally responsible for keeping the Financial Department supplied with all financial facts and figures, *Waterfield*, 107.
In any crisis he would be the first to know the general state of the reserves of the treasuries, and would communicate it instantly to the Government of India, *Waterfield*, 104–13. He is not charged with discussing the propriety of new expenditure, *Waterfield*, 15,497–8.
His executive duties nearly correspond to those of the Assistant Secretary of the Treasury, the Controller of the National Debt Office, and the Deputy Master of the Mint; he is also chief Auditor of the accounts, *Waterfield*, 79–92, 102–3, 113–21.
When the Government is at Simla he is the representative of the Treasury at Calcutta; he is, however, outside the Financial Department proper, *Waterfield*, 93–6.
His staff, at headquarters, which is entirely distinct from that of the Financial Department proper, includes three Deputies, one of whom is his assistant in executive functions, and two in audit functions, four assistant Comptrollers-General, and subordinate officers, *Waterfield*, 97–101*b*. His staff as Head Commissioner of paper currency, *Waterfield*, 101.
He is the first officer who focusses all the accounts of the different spending departments throughout India, *Waterfield*, 76–8.
Descriptions of the several accounts rendered to the Comptroller and Auditor-General, *Waterfield*, 113, 406–12, 2844–5, *Becher*, 1602.
He is the unofficial adviser of the Financial Member, *Jacob*, 2842, *Barbour*, 2141–4.
He is, however, quite outside the Financial Department, *Barbour*, 2141–4, *Colvin*, 3072–94.
The independence of the Comptroller and Auditor-General, *Barbour*, 2141–4, 2334*a*, *Colvin*, 3072–94, *Waterfield*, 969–72. His decision on audit questions is subject only to the Government of India; he may insist on a reference to the Secretary of State, *Waterfield*, 538–44.
Test audits carried out on his behalf, *Becher*, 1613–9, *Newmarch*, 1390–6, 1400–5, *Collen*, 3500–4, *Waterfield*, 514, 533–7.
For Duties and Functions as regards Audit, *see* AUDIT.
Evidence given by the Comptroller and Auditor-General, *see* JACOB.

COMPTROLLER, PROVINCIAL. *See* ACCOUNTANT-GENERAL 2.

CONSULATES IN CHINA. *See* CHINA.

CONTROLLERS OF MILITARY EXPENDITURE.
There is one Controller for each Command, *Newmarch*, 1172*a*. They are the head Account and Audit Officers in each Command, *Newmarch*, 1180–8. They consolidate the monthly audited amounts of their subordinates into a general statement for each Command, *Newmarch*, 1376–8. They draw up Appropriation Reports, *Waterfield*, 396–400, *Newmarch*, 1383–3; and compile the estimates, *Newmarch*, 1215–27. A test audit is conducted by a special officer under their orders, *Newmarch*, 1400–5. They are responsible for the distribution of assignments to the disbursing officers, *Newmarch*, 1238–41, 1250–77, 1441–3. Their duty of suggesting economies should receive more attention, *Collen*, 3401–3.
See also BUDGET 4, EXPENDITURE b, and AUDIT B. 2b.

COUNCIL.
The Executive Council of the Governor-General of India. *See* GOVERNMENT OF INDIA.
The Council of the Secretary of State for India. *See* INDIA OFFICE.
The Legislative Council, *see* LEGISLATIVE COUNCIL.
Charge for the Executive and Legislative Councils in India, *Jacob*, 9161–7, 9210–1.

CROMER, THE LORD, G.C.B., &c. Formerly Financial Member of the Council of the Governor-General. Evidence given by, *see* p. 153, and Analysis of Evidence, p. xxii., VOL. I., First Report.

CUMING, MR. WILLIAMS, of the Admiralty. Evidence given by, *see* p. 441 and Analysis of Evidence, p. xlvii, VOL. I., First Report.

CUSTOMS.

1. ADMINISTRATION.
The Financial Department in India is responsible for the general administration of the Customs. In each province the Customs Department is under the Provincial Government, *Waterfield*, 225–8. There is one Act for the whole of India, subject to which the Provincial Governments have considerable power in regard to details, *Waterfield*, 231–5, local considerations rendering absolute uniformity impracticable, *Waterfield*, 266; but to secure harmony of administration all Customs orders of general application are published in the Gazette of India, *Waterfield*, 229–30. Appeal against the action of Customs officials is to the Provincial Government, but there is in practice appeal from the Provincial to the Imperial Government, (almost entirely on questions of principle, *Colvin*, 2982–8.) which also occasionally reviews the action of the Provincial Governments on its own initiative, *Waterfield*, 230–6. As a general rule Customs officers pay the gross revenue collected into the district treasuries, on which they draw for their expenditure; accounts are rendered to the departmental controlling officers, *Waterfield*, 236–9.

2. REVENUE AND CHARGE.
Variation in recent years, *Jacob*, 11,180–2. Duties on liquor, 1883–4 to 1893–4, *Jacob*, 11,183–4. Total revenue in 1875–6 and 1893–4, estimated revenue of the present time, charges of the same years, the estimated charge being about 4 per cent. of the revenue, *Jacob*, 11,186–95. The charges include the whole cost of collection, *Jacob*, 11,196–201. The charges are Provincial except in Bombay, the revenue is everywhere Imperial, *Jacob*, 11,203–4.

DEBT.
No sinking fund for rupee debt in India; small sinking fund in England for the general debt merely to replace the discount, *Jacob*, 7186–91, 8772–3. Sinking funds in connection with Guaranteed Railways, *Jacob*, 7192. The Debt is classified as Ordinary Debt and Public Works Debt, definition of Public Works Debt, *Jacob*, 7202–7.
In 1895–6 the interest charged to the Public Works Department exceeded the total interest on rupee debt in India, *Jacob*, 7192–7. Part of the Public Works Debt is due to the investment of the balances of the Government of India, *Jacob*, 7208–13.
Prices and rates of interest of various loans, *Jacob*, 7228–36–43.
Total debt in India and England in 1875 and 1895, *Jacob*, 7244–8. Interest on debt in India and England in 1875 and 1895, *Jacob*, 7249–50. The fall in the rate of interest would rather more than counterbalances the increased payment due to fall in exchange, *Jacob*, 7254–76. The reductions both in the ordinary debt and the cost of it are considerable and satisfactory, *Jacob*, 7277–98.
The Public Works Debt now stands at about 150 million pounds, *Jacob*, 7299–306. The productive debt does not pay its charges, *Jacob*, 7307–27–35–54.
Mode of treating debt so as to show the effect of exchange, *Waterfield*, 12,238, 12,244–58, 14,931–4.
As far as possible money should be borrowed in India, *Wacha*, 17,416–35.
Afterwards resource should be had to England, *Wacha*, 17,550–65.
English and Indian rates of interest, *Wacha*, 17,566–73; *Jacob*, 20,205–6.

Conversions.
Conversion in India in 1878–9, 1890–2–3, and in 1894–5, *Jacob*, 7355–9.
Conversion in England, *Jacob*, 7360–73.

Other Obligations besides the Debt.
Amount about Rx. 13,000,000, and interest charge Rx. 550,000, *Jacob*, 7381–3.

Debt Receipts.
The investment of the Paper Currency Reserve brings in about 300,000*l*. a year, *Jacob*, 7388–90. Loans to Corporations and Municipalities, *Jacob*, 7391–401, and Native States, *Jacob*, 7402.

The Discharge of Debt.
Generally in the shape of conversion, large purchase of stock in 1876–7, *Jacob*, 7403–7. Appropriation of Famine Insurance Allotment to reduction of Debt, *Jacob*, 7408–15. Debt discharged in England, *Jacob*, 7416–19.

The policy of the Government as to borrowing, *Jacob*, 7432–42. Loans raised in England, *Jacob*, 7447 7459. Difficulty of borrowing in India, *Jacob*, 7465, 7484, 7507–16. If it were not for the difference in standard, money could be raised in England much more cheaply, *Jacob*, 7485–9.

Comparative credit of the Indian and Imperial Governments, *Jacob*, 7502–6.

Amount lent by natives in India; amount of capital in India, *Jacob*, 7507–82, 7526–38.

Transfer of debt to the category of Productive Public Works Debt, *Waterfield*, 12,239–40.

The Management of Debt in England. (*See* APP. 36 and 37, pp. 241 and 242, Vol. II., First Report.)

Sums paid to the Banks of England and Ireland for management, *Waterfield*, 11,747–8. Details, *Waterfield*, 11,880–902. Rates paid at different periods, *Waterfield*, 11,847–50. Total amount of stock managed by each Bank, *Waterfield*, 11,851–2. Explanation of payments to the Banks, *Waterfield*, 11,853–9. Other charges, *Waterfield*, 11,860–75. Means of making good the difference between the amount of stock and the price paid for it, *Waterfield*, 11,911–5.

There are no sinking funds for loans, *Waterfield*, 11,916–7. Policy of sinking funds, *Waterfield*, 11,918–38.

DECENTRALISATION, *see* PROVINCIAL SYSTEM.

DEFERRED PAY, *see* MILITARY FINANCE 3 d.

DEPOT CHARGES, *see* MILITARY FINANCE 3 b.

DIPLOMATIC CHARGES IN PERSIA, *see* PERSIA.

DISBURSING OFFICERS.

Civil.

The Treasury Officers are bound by certain general rules applying to the various classes of expenditure, *Waterfield*, 194.

Military Disbursing Officers include District and Regimental Paymasters, Officers Commanding Native Regiments or Batteries, Commissariat Officers, the Superintendents of Family Pensions, Pension Pay Officers, Remount and Clothing Officers, Ordnance Officers, and, at small stations, the Officer in Command, *Newmarch*, 1190–208, 1250–4, *Wace*, 3772–6, 3781.

See also EXPENDITURE.

Public Works Disbursing Officers are the Executive Engineers in charge of works, *Waterfield*, 194–7, 340–4. *See also Becher*, 1503–4, 1554–7, 1558–60.

DISSENT.

In the Council of the Secretary of State, *Colvin*, 3175–8.

In the Council of the Governor-General, *Waterfield*, 27, *Barbour*, 2352–5, *Brackenbury*, 14,493–4, *Colvin*, 2937–40. Value of the power of recording a dissent, *Lansdowne*, 16,140.

There was a disinclination to record a formal dissent, because it became a public document; opinions might be recorded confidentially and not necessarily for publication, *Cromer*, 13,548–62.

Any member of the Council may appeal against the decision of any other member, *Brackenbury*, 14,411–48.

DISTRICT TREASURIES.

i. *Generally.*

There are 266 district treasuries, not including the sub-treasuries (a sub-treasury is an outlying post in an extensive district), *Waterfield*, 152–62; into which the revenue is paid, *Waterfield*, 224.

In the smaller districts cash balances are kept in strong rooms, in the larger in the branch Presidency Banks, *Waterfield*, 135–51, 156–8, 190.

Losses are very rare, *Barbour*, 1990–3, *Waterfield*, 185–9, *Colvin*, 2989.

Almost all the district treasuries are in telegraphic communication with the Accountant-General of their province, *Waterfield*, 223. Any money that is not wanted at the District Treasury is remitted to a central station, where the bulk of the payments are made and from which funds can easily be removed by drafts, *Waterfield*, 164. The Provincial Accountants-General receive monthly estimates for the current and two succeeding months from each treasury and thus are able to order remittances from surplus to deficit treasuries, *Waterfield*, 404–5. The movement of funds from the district treasuries is now a source of profit owing to the premium on bills, *Jacob*, 2832.

The whole of the money at the central stations is not invariably banked, but, in the Presidency towns, for instance, a part is kept in the reserve treasury for the transfer of funds, *Jacob*, 164–72; 177–82, *see Barbour*, 1994–2011.

The reason for maintaining Reserve Treasuries, *Waterfield*, 173–5; *Jacob*, 9199–200.

Minimum balances to be reserved, *Jacob*, 2805–30; *see also Barbour*, 2012–28, and *Colvin*, 3209–15.

The Government uses banks to the full extent desirable, *Barbour*, 1988–9, *Colvin*, 3015–8.

The District Treasury regulations work very satisfactorily, *Barbour*, 1987; *Colvin*, 2988–91.

Reserve Treasury. Cost of Administration, *Jacob*, 9184.

Cost, *see* APP. 4, p. 49, Vol. II., First Report.

ii. *Treasury Officers.*

The Treasury Officer is subordinate to the Accountant-General, but is also one of the assistants of the Collector of each district, and in that capacity is a subordinate of the Provincial Government (he is practically district paymaster, *Waterfield*, 190); he is assisted by a Treasurer (usually a native banker, *Barbour*, 1995), an accountant and staff, *Waterfield*, 135–7.

The Treasurer is in actual charge of the cash, and gives security; the balance in his hands is tested at intervals by the District Collector, *Waterfield*, 183–4.

Duties of the Treasury Officer as regards demands by military disbursing officers, *Waterfield*, 349–50, *Newmarch*, 1313–23; he is bound not to issue funds beyond the fixed assignment, *Newmarch*, 1237, *Becher*, 1558–60, except by special authority, *Waterfield*, 355–9, *Newmarch*, 1238–41, 1441–3, 1250–77; payment of pensioners, now conducted by Treasury Officers, *Newmarch*, 1242–9*a*.

Issue of funds to Public Works disbursing officers, *Becher*, 1503–4, *Waterfield*, 194–7, 340–4.

The accounts of the Treasury Officers are audited on behalf of the Accountants-General, *Waterfield*, 504–18.

EASTERN MAIL SERVICE.

Present contract with the P. & O. Co., *Waterfield*, 12,269.

Terms of the contract, *Jacob*, 11,404–14.

The controversy between the Post Office and India Office was settled by Viscount Halifax's award. The main point of the controversy was the apportionment of charge for the Mediterranean section, *Waterfield*, 12,270–1. Percentage paid by India as decided by the award, *Waterfield*, 12,272–4. Charge on the United Kingdom, *Forman and Cardin*, 12,347. Recent arrangements, *ib.*, 12,275–7, *Forman and Cardin*, 12,334–6. Reduction in postage was estimated to cost India Rx. 38,000 a year, *Waterfield*, 12,286–96, *Forman and Cardin*, 12,376–80. It has actually cost India Rx. 475,000, *Waterfield*, 15,915–6. Contentions of the India Office with regard to the Contract, *Forman and Cardin*, 12,297–8.

Disputed point now being examined by a Committee, *Forman and Cardin*, 12,337–46. The principle of the award was not affected by the separation of the Australian contract, *Forman and Cardin*, 12,348–9. Criticism of India Office objection, *ib.*, 12,354. Principle of the award, *ib.*, 12,354–67. Possible alteration in the proportions of charge due to East African and Egyptian Correspondence, *Forman and Cardin*, 12,381–93. *See also* APP. 63, p. 394, Vol. II., First Report.

EAST INDIA AND MADRAS IRRIGATION AND CANAL COMPANIES WORKS. *Jacob*, 8783–90, 8809.

EAST INDIA IRRIGATION COMPANY. *See* Irrigation, 1, *d*.

ECCLESIASTICAL ESTABLISHMENTS.

Distribution of the chaplains, *Jacob*, 10,003–5, 10,016–8. Their numbers, *Jacob*, 10,055, 10,007, 10,011–2. Pay, *Jacob*, 10,005–10. The supply of Church of Scotland chaplains, 10,019–20, 10,029. Allowance made to Roman Catholic chaplains, *Jacob*, 10,023–4, and to Wesleyan ministers, *ib.*, 10,028.

The pay of Roman Catholic and Scotch chaplains attached to regiments is treated as military expenditure, *Jacob*, 10,023–4, 10,030–2. Church of England chaplains are not divided into military and civil, *Jacob*, 10,050–1; they are appointed to stations to minister to both the civil and military population, *ib.*, 10,039–41. Method of providing stipends for Bishops, *Jacob*, 10,056–7; all Church of England chaplains are under their control, *Jacob*, 10,036. The necessity for the seemingly large proportion of chaplains to population, *Jacob*, 10,042; the civil population is too unsettled to support its own clergy, *Jacob*, 10,043–9, 10,052–4.

The increase in the ecclesiastical expenditure, *Jacob*, 9999. Details of the charge for 1893–4, *ib.* 10,001–3.

Allowances made for Hindoo and Mahommedan religious purposes, *Jacob*, 10,058–61.

EDUCATION IN INDIA.

1. ADMINISTRATION.

Educational system in India generally controlled by Home Department of the Government of India, *Jacob*, 9869–81. There is a Director of Public Instruction in each province, *Jacob*, 9874, and each province has its own code or system, *Jacob*, 9884. Administration entirely provincial, subject to the control of the Home Department, *Jacob*, 9882–4. Education not compulsory, *Jacob*, 9969.

2. EXPENDITURE.

The charge from provincial revenues and local rates, 1875–6, 1893–4, and 1894–5, *Jacob*, 9885, 9896–9. The only Imperial charge is for small states directly administered by the Government, *Jacob*, 9889–95, 9928–31. Details of the expenditure, *Jacob*, 9900. The main charge is for payments to Government schools, *ib.*, 9901–2, the next for Grants in aid, *Jacob*, 9903–4. Expenditure from municipal funds, *Jacob*, 9907–8. Gross charge, *Jacob*, 9936–9, and net charge on general revenues, *Jacob*, 9940–1. The charge for Universities, *Jacob*, 9945–9. The total expenditure is expected to increase, though the burden will not fall on the Imperial or provincial taxpayer, *Jacob*, 9950–2, 9995. Private enterprise is encouraged by grants in aid, *Jacob*, 9953–61; amount of grants, *Jacob*, 9962; the demand exceeds the supply, *Jacob*, 9970–4, 9986–9. Conditions under which grants are given, *Jacob*, 9976–82, 9992–4.

Alleged meagreness of the Government assistance to education, *Gokhale*, 18,365–6–83, 18,530–9. *Wacha*, 17,691–704.

The increase of expenditure in Bombay has been 58 per cent., in Madras 45 per cent., and in Bengal 44 per cent.; the expenditure is not supposed to be adequate, but only proportionate to the means available; it is in advance of what the expenditure was in England before the adoption of the system of general education, *Jacob*, 19,973–90.

The whole expenditure is very small compared to the population, *Jacob*, 9983–5. *See also* App. 29, p. 226, Vol. II., First Report.

Military Expenditure on Education. *See* MILITARY FINANCE, 2 a.

The employment of Natives in the Education Department, *Jacob*, 10,718–23.

Military Educational Establishments in England. *See* MILITARY FINANCE, 3 c.

EGYPTIAN EXPEDITION.

Payment of troops borrowed for, *Collen*, 6117–50. *Northbrook*, 14,124–41.

ENGINEERING COLLEGE, ROYAL INDIAN, *see* INDIA OFFICE, J.

ESTIMATES, *see* BUDGET.

EUPHRATES-TIGRIS AND KARUN SUBSIDIES.

Euphrates-Tigris Subsidy, Rs. 24,000 for 10 years, Karun River 2,000*l.* a year, shares of British and Indian Governments. Alterations proposed by the Indian Government. *Waterfield*, 12,479–83. Reasons for the Karun Subsidy, *Waterfield*, 12,484–8. Indian interests are not so great on the Karun as on the Euphrates and Tigris, *Waterfield*, 12,489–92. *See also* App. 49, p. 375, Vol. II. First Report, *and* App. 48, p. 371.

EURASIANS.

Volunteers and regular regiments, *Collen*, 6655–8, 6663–7. Admittance to the Royal Indian Marine and Royal Navy, *Hext*, 7130–41, 7144–92. Value of Eurasian troops, *Wolseley*, 13,382–3.

EUROPEANS IN INDIA.

Their employment is necessary for the maintenance of British Rule in India. *Ripon*, 16,488–94.

Question of the relative employment of natives of India and Europeans, see NATIVES, EMPLOYMENT OF, *and* FINANCIAL MACHINERY B.

EXAMINERS.

1. *Of Military Accounts.*

The Controller of each of the four Commands has under him three Examiners, viz., the Examiner of Commissariat, Remount and Medical Accounts, the Pay Examiner, and the Examiner of Ordnance and Clothing Accounts, *Newmarch*, 1180–8. With the exception of the Pay Examiner, who is to some extent a disbursing officer, *Newmarch*, 1182, they act purely as auditors, *Newmarch*, 1324–38, 1413–24.

2. *Of Public Works Accounts.*

There is an Examiner of Public Works Accounts in each province and it is on his requisition that the Civil Accountant-General gives orders to the Treasury Officers to issue money to the Executive Engineers, *Becher*, 1501–8.

There is a special Examiner of Military Works Accounts attached to the Public Works Accounts Branch, *Becher*, 1543–52, 1679–1712.

The Examiners are purely audit officers, *Becher*, 1493; though they are also advisers to the Provincial Government, *Becher*, 1502.

They compile the Estimates of the Executive Branch for the Budget, *Becher*, 1894–5, 1496.

3. *Examiner of Military Works Accounts.*

See MILITARY WORKS.

EXCHANGE.

Mode of stating the charge for exchange in the explanatory Memorandum of the Secretary of State, *Waterfield and Cave-Browne*, 2362–76, 2377–89.

The average rate of exchange for the year is obtained by taking the amount of rupee bills sold throughout the year, and dividing that by the sterling amount received for those bills, and on this average the rupee equivalent of the sterling payment is calculated, *Waterfield and Cave-Browne*, 2611–20*a*. (*See also* App. 40, p. 245, Vol. II., First Report.)

Loss by exchange is an Imperial charge, except a part of the special allowance given to officers as compensation, which is Provincial, *Waterfield*, 810–6.

Provincial governments should bear a share of cost of exchange, *Morgan-Browne*, 13,866–76.

The Government is not legally bound to grant any compensation for loss by exchange, *Jacob*, 10,276–80.

Argument against compensation allowances, *Gokhale*, 18,351–64. *Wacha*, 17,742. *See Jacob*, 20,178 and 20,187–9.

Increased charge due to exchange on Military Pay and Furlough Charges. *See* MILITARY FINANCE 2, b., iv., and FURLOUGH.

Deficit on Railways due to fall in exchange. *See* RAILWAYS B.

Post Office Revenue diminished by loss by exchange, *Jacob*, 11,264.

Increase of Expenditure due to Loss by Exchange. *See* EXPENDITURE, 2.

EXCISE.

The Excise Department is under the several Provincial Governments, subject to the ultimate control of the Government of India in the Financial Department; when a proposal is made (usually at the instance of the Provincial Governments, *Waterfield*, 249) for the alteration of the excise law, the Provincial Governments, who would take advice from their chief excise authorities (*Waterfield*, 254) are consulted by the Imperial Government, and a Bill is drafted and circulated, not only to the Provincial Governments, but for the information of the general public, and upon the consequent recommendations the project of law is finally brought into shape, *Waterfield*, 240–50, 255–7. There are separate local Excise Acts for Bombay, Madras, and Bengal respectively; for the rest of India there is a general Act, *Waterfield*, 251–3. In regard to modifications of the law, the Financial Member of Council would consult the Provincial Governments, who would take advice from their chief excise authorities, *Waterfield*, 254–9, possibly also the Revenue Member of

Council, *Colvin*, 2965–73. The excise revenue is paid into the District Treasuries, subject to the same conditions as the customs revenue, *Waterfield*, 260. Increase in the Excise Revenue, reasons for it, *Waterfield*, 689–97, *Bernard*, 1720–1816, *Barbour*, 2115–22, *Colvin*, 3066–7. *See* APP.

The Revenue is confined to duties on intoxicants, *Jacob*, 11,151–60.

Difficulty of comparing past and present taxation, *Jacob*, 14,911–4.

Increase in the revenue and charges since 1875–6, *Jacob*, 11,141–2. Percentage of cost to collection, *Jacob*, 11,143–6. Increase in assignments and refunds, *Jacob*, 11,149. The revenue and charges are three-fourths provincial, *Jacob*, 11,150.

Alteration of Excise Duties, *see* App. 65, p. 403, Vol. II.

EXPEDITIONS.

Frontier Expeditions.

Expenditure due to frontier expeditions and defence, *Waterfield*, 12,153–85. The increase in expenditure has been mainly due to considerations affecting the north-west frontier, *Northbrook*, 14,094–6. Past and present policy with regard to the frontier tribes, *Lansdowne*, 15,885–910. Frontier expeditions are objectionable, *Ripon*, 16,237–46. The new Military policy will probably reduce the number of expeditions in the future, *Roberts*, 15,606–27, *Brackenbury*, 14,771–5. The wisdom of the past expeditions, *Brackenbury*, 14,538–45. The responsibility rests with Government of India, *Brackenbury*, 14,546–57. England should share the cost of frontier wars since the second Afghan war, *Wacha*, 17,821.

Expeditions where troops were lent by India to England and *vice versa*. *See* MILITARY FINANCE, 3, *c*.

EXPENDITURE.

1. RULES APPLIED TO EXPENDITURE.
2. INCREASE OF EXPENDITURE.

1. RULES APPLIED TO EXPENDITURE.

Enumeration of Spending Authorities in India, *Gokhale*, 17,834–58.

a. In the case of Civil Departments.

The Treasury officers are bound by certain general rules applying to the various classes of expenditure, *Waterfield*, 194.

b. In the Military Department.

The Commander-in-Chief has a limited power of spending money, *Collen*, 3581–2. Such expenditure is reported to the Controller and by him to the Accountant-General, *Collen*, 3684–51, 3662–4. Similar, but more limited, powers of Lieutenant-Generals, *Collen*. 3665, and of officers in command of districts, Commissaries-General, and heads of departments, *Collen*, 3672.

Funds are placed at the disposal of Military Disbursing officers by annual assignment in their favour issued to Treasury officers by the Provincial Accountant-General on the application of the Military Controllers, *Waterfield*, 349–50; these assignments are subdivided into monthly assignments, the Treasury officer being informed up to what limit each Disbursing officer may draw in each month, *Newmarch*, 1237.

Money is drawn by the Disbursing officers by cheques against their assignments, ordinarily representing their exact requirements; Disbursing officers draw cheques on the Treasuries as on a bank, *Newmarch*, 1313–23, *Collen*, 3470–1. Except during military expeditions, balances in their hands are very small, *Waterfield*, 198–215.

In case of emergency, where the delay involved in procuring formal sanction would cause public inconvenience, a supplementary assignment may be made to a Disbursing officer, on the authority of a station or district order, without limit; such advances must be at once brought to the notice of the military authorities, *Waterfield*, 355–9; *see also Newmarch*, 1238–41, 1441–3, 1250–77.

The Controllers may sanction extraordinary expenditure to the limit of Rs. 1,000 a month, in order to avoid petty references for formal sanction, *Waterfield*, 381–2.

Ordnance officers alone receive no cash assignment, their bills are paid by the Commissariat officers, on the authority of the Inspector-General of Ordnance, and they receive only a petty cash allowance, *Newmarch*, 1425–31, 1450–77.

Commissariat accounts are furnished to the Controllers monthly, *Newmarch*, 1339–42.

Paymasters of Native and of British Regiments draw pay for the troops once and four times a month respectively, *Newmarch*, 1278–89.

Pensioners are now paid through the Civil Treasuries, *Newmarch*, 1290–313, 1,467–70.

c. In the Public Works Department.

The Provincial Governments are informed when the Budgets have been approved; the Provincial Public Works Secretariat apportions the assignment to the Superintendents of Circles, who in turn allot to their subordinates, *Becher*, 1553. The Treasury officers are informed of the Public Works assignments by the Provincial Accountant-General on the requisition of the Examiners, *Becher*, 1503–4, *Waterfield*, 194–7, 340–4, who receive a monthly statement from each Executive Engineer of the amount he wishes to spend in the month; these monthly statements are compiled and sent to the Provincial Accountant-General, *Becher*, 1554–7.

A Treasury officer would refuse to honour a cheque in excess of the monthly assignment in the absence of a supplementary letter of credit, *Becher*, 1558–60.

The yearly expenditure of the Department was Rx. 34,000,000 in 1893–4, *Waterfield*, 343.

2. INCREASE OF EXPENDITURE.

Continuous increase of expenditure since the assumption of Government by the Crown has retarded material progress, weakened natural defences and imposed indefinite financial responsiblities, *Gokhale*, 18,139–84. The Indian Government has no resources to spend on domestic reforms, *ib.*, 18,185–8. Domestic expenditure has increased in an even larger ratio than military expenditure, *Jacob*, 20,174–6.

See also FINANCIAL MACHINERY B.

1. *Explanation of Notes dealing with Increase.*

"Increase of Expenditure," paper handed in by Sir Henry Waterfield, *see* APP. 9, p. 59, Vol. II., First Report. Note on Sir Henry's paper, *see* APP. 10, p. 80.

Reasons for the form of the previous paper, *Waterfield*, 12,005; further explanations, *Waterfield*, 12,069–70.

Sir Wm. Wedderburn's method of stating Provincial and Imperial expenditure, *Waterfield*, 12,058, 12,094–7, 12,145–51.

The impossibility of debiting Provincial Governments with exchange, *Waterfield*, 12,059–62. Exclusion of furlough pay and military stores from effective service, *Waterfield*, 12,221–2.

Expenditure on Civil Administration is not curtailed in order to meet military demands, *Lansdowne*, 15,925–42, *but see Ripon*, 16,156.

Objection to reducing the figures of Indian expenditure to sterling in order to compare results, *Morgan-Browne*, 13,740–1, and to the form in which accounts are rendered to Parliament, *ib.*, 13,742–9.

2. *Question of the Increase of Expenditure due to loss by Exchange.*

"Automatic" and "voluntary" loss by exchange, *Waterfield*, 12,083–9, 12,227–31, *Morgan-Browne*, 13,751–85. The separation of exchange into different classes, *ib.*, 13,786–96. The certainty of loss by exchange, *Morgan-Browne*, 13,797–804. Increase in expenditure on the services, and that due to exchange in the last seven years, *ib.*, 13,805–8, 13,813; decrease in other expenditure apart from exchange, 13,809–12. Civil and military expenditure as apart from that in other departments of Government, *Morgan-Browne*, 13,838–46. Increase during 10 years from 1884–5; *Wacha*, 17,324–33–45, due to increased military and civil expenditure, *ib.*, 17,346–7. Effect of the increase in expenditure on the civil and military services, *ib.*, 13,847–61. Provincial Governments should bear a share of the cost of exchange, *Morgan-Browne*, 13,866–76. Under heads of expenditure other than military and civil, the burden of exchange has been more than compensated by decreased expenditure, *ib.*, 13,886. Increase in military and civil expenditure exclusive of exchange in 1884–96 and 1875–85, *ib.*, 13,902–7. Civil and military expenditure compared to "other" expenditure, *Morgan-Browne*, 13,908, 13,921. Probability of economy in "other" expenditure recurring, *ib.*, 13,922–35. Aggravation of the burden of exchange by sterling expenditure, *ib.*, 13,946–61. Increase in military and extraordinary expenditure, *ib.*, 13,962–5.

The increased civil and military charge has been a more disturbing factor than exchange, *Morgan-Browne*, 13,966–7. *See also Wacha*, 17,756–84.
It is misleading to state accounts in pounds and Rx. mixed, *Morgan-Browne*, 13,968–14,009.
Increase of taxation, 1884–95, 6½ millions; increase of civil and military expenditure, 9 millions, *ib.*, 14,010–16. Expenditure due to fall of rupee, 11 millions, to recent rise in exchange 9 millions, *ib.*, 14,017–20. Proposed treatment of Exchange in the Accounts, *Wacha*, 17,220–59.

2*a*. *In Particular Departments.*

On LAW AND JUSTICE. *See* LAW AND JUSTICE.
On MILITARY. *See* MILITARY FINANCE.
On DEBT SERVICES. *See* DEBT SERVICES.
On POLICE. *See* POLICE AND JAILS.
On RAILWAYS. *See* RAILWAYS B.
On IRRIGATION. *See* IRRIGATION.
On MARINE CHARGES. *See* MARINE CHARGES.
On EDUCATION. *See* EDUCATION.
On ECCLESIASTICAL. *See* ECCLESIASTICAL ESTABLISHMENTS.
On MEDICAL. *See* MEDICAL DEPARTMENT.
On POLITICAL. *See* POLITICAL DEPARTMENT.
On SCIENTIFIC AND MINOR DEPARTMENTS. *See* SCIENTIFIC AND MINOR DEPARTMENTS.
On TERRITORIAL AND POLITICAL PENSIONS. *See* PENSIONS.
On FURLOUGH ALLOWANCES. *See* FURLOUGH.
On PENSION CHARGES. *See* PENSIONS.
On STATIONERY AND PRINTING. *See* STATIONERY AND PRINTING.
On MINTS. *See* MINTS.
On FAMINE RELIEF. *See* FAMINE RELIEF.
On LAND REVENUE CHARGES. *See* LAND REVENUE.
On SALT DEPARTMENT. *See* SALT DEPARTMENT.
On EXCISE ESTABLISHMENTS. *See* EXCISE.
On CUSTOMS ESTABLISHMENTS. *See* CUSTOMS, 2.
On CIVIL BUILDINGS AND ROADS. *See* BUILDINGS AND ROADS.
On FOREST CONSERVANCY. *See* FOREST DEPARTMENT.
On STAMP DEPARTMENT. *See* STAMP REVENUE.

EXPEDITIONS. TROOPS LENT BY INDIA.

See MILITARY FINANCE, 3 e.

FAMINE RELIEF AND INSURANCE.

Circumstances in which assistance is given by the Central to the Provincial Governments in case of distress from Famine, *Waterfield*, 896.
Appropriation of Famine Insurance Allotment to redemption of Debt, *Jacob*, 7408–15.
The charge of major irrigation works to "Famine Relief and Insurance," *Jacob*, 8751–6.
Famine protective works, *Jacob*, 8906–9.
See APP. 39, p. 245, Vol. II., First Report.

Expenditure.
The amount to be set aside was at first Rx. 1,500,000, *Jacob*, 10,636–9. The full amount has not always been available, *Jacob*, 10,640. Actual charges, *Jacob*, 10,641–4. Application of surplus after providing for famine relief, *Jacob*, 10,651–9.
One million Rx. will be allotted in future years, *Jacob*, 10,660–9. Total expenditure, 1881–2 to 1893–4, Rx. 7,196,000, *Jacob*, 10,670–83.
Method of accounting for the grant, *Waterfield*, 12,098–139.
Railway expenditure charged to the grant, *Waterfield*, 12,188. The Fund has been employed beyond those purposes for which it was established, *Gokhale*, 18,418–30–51. *Wacha*; 17,706–41.

FINANCE AND REVENUE ACCOUNTS.

The General Finance and Revenue Accounts are compiled by the Comptroller-General, *Waterfield*, 76.
The Military Chapter, *Newmarch*, 1376–89.
The Public Works Chapter, *Becker*, 1602–3.

FINANCIAL DEPARTMENT, THE.

1. IN THE INDIA OFFICE. *See* INDIA OFFICE, b. ii

2. IN INDIA.

Comparative importance of the Financial Department in India and the Treasury in England, *Cromer*, 13,508–10, 13,511–7.

FINANCIAL MACHINERY.

A. IN ENGLAND. *See* INDIA OFFICE.
B. IN INDIA.
See FINANCIAL MEMBER, FINANCIAL OFFICERS, BUDGET, REVENUE, EXPENDITURE, and AUDIT.
The Separate Governments. See PROVINCIAL GOVERNMENTS.
Faults in the Administration.
In India the standing claims of British Supremacy entail a vast expenditure, the benefits of which goes to others than the taxpayers. *Gokhale*, 17,826–9. Waste due to inefficient control, *ib.*, 17,833. *See also Wacha*, 17,360–75. Suggestions for the promotion of greater economy, *Wacha*, 17,376–97. Indian revenues have not been so efficiently protected as in the time of the East India Company, *Gokhale*, 17,865–9. Comparison between period of government by the Company and at the present time, *Jacob*, 20,177. Comparative economy of administration is due to the personalities concerned, and to current events, *Lansdowne*, 10,820–2. Concentration of power in the hands of a member of the Imperial Government liable to be swayed by English influence, *Gokhale*, 17,870–5, 17,893. Money has been spent on objects which have not advanced the interests of the Indian people, *ib.*, 17,876–92. Alterations suggested in the constitution of the Council of the Secretary of State, *ib.*, 17,894–978. Means by which the check of public opinion might be brought to bear on expenditure, *Gokhale*, 18,008–15. Without this no retrenchment can be hoped for, *Wacha*, 17,078–90. Increasing poverty of India, *Gokhale*, 18,225–330, 18,452–64.

FINANCIAL MEMBER OF THE COUNCIL OF THE GOVERNOR-GENERAL.

Evidence given by former Financial Members of Council, *see* BARBOUR, COLVIN, and CROMER.

POSITION OF THE FINANCIAL MEMBER.
The normal term of office is five years, but this has been occasionally extended, *Waterfield*, 17–18.
He is the head of the Central Treasury, *Waterfield*, 16.
Theoretically his position corresponds to that of the Chancellor of the Exchequer in England, *Barbour*, 1823–4, *Colvin*, 2881*a*, *Waterfield*, 19–24, *Ripon*, 16,172–6, *Northbrook*, 14,028–31; but the Finance Department in India does not occupy the predominant position in India which the Treasury does in England, *Cromer*, 13,508–10. In England the Chancellor of the Exchequer is selected by the Premier as a man of the same political convictions as himself. In India, the Finance Minister may have been selected by a different government from that which chose the Viceroy, *Ripon*, 16,177–81. The Financial Member has not got behind him the control of anybody corresponding to Parliament, *Barbour*, 1823–32, *Cromer*, 13,511–7. The control of the Secretary of State has not produced any sensible economy, *Brackenbury*, 14,612–5, 14,056–71; but it would not be desirable to make Parliament a final Court of Appeal, *Brackenbury*, 14,612–43, 14,687–8. Every measure requiring his sanction is really brought to his notice, *Colvin*, 2882–5, in sufficient time, so far as, when a policy is formed, its results can be foreseen, *Colvin*, 2901, 2962–4, *Barbour*, 1954–5; the audit system (and the practice of recording proceedings, *Colvin*, 2823–4) is a complete guarantee of this, *Barbour*, 1841, 1850–1, *Colvin*, 2891–2. He would refer any question as to the legality of expenditure to the Legal Member, *Colvin*, 3190–6.
The checks on the Financial Member are, primarily, the Viceroy, the Viceroy in Council, then the Secretary of State (and, in the remote distance, Parliament), *Barbour*, 1845–9, *Colvin*, 2896–8. Value of the control of Parliament over the Secretary of State, *Banerjea*, 19,067–89.
Proposed Parliamentary inquiry every 10 or 20 years, *Banerjea*, 19,163–85–99. *See also Wacha*, 17,146–9.
Should the Viceroy agree with the Financial Member in differing from a decision of the majority of the Council on a question involving finance, he may suspend action pending a reference to the Secretary of State (this rule is practically a dead letter, *Barbour*, 1892, 1900, 1910–21, *and see Northbrook*, 14,070–7, 14,093); otherwise the Finance Member can only record his dissent, which is forwarded to the Secretary of State, *Waterfield*, 25–35 (*see Northbrook*, 14,055–65). He may have his views stated in a despatch to the Secretary of State, and eve

in a secret despatch *Lansdowne*, 16,140, *but see Northbrook*, 14,066-9; his present power is more efficacious than a private memorandum would be, *Ripon*, 16,207-24 (*see* APP. 6, First Report, Vol. II., "Dissents of the Financial Member of Council").

2. THE POSITION OF THE FINANCIAL MEMBER IN THE COUNCIL, AS OPPOSED TO SPENDING DEPARTMENTS.

The inelasticity of the revenue and the difficulty of increasing taxation must render finance difficult in India, *Ripon*, 16,187-8.

The Financial Member is practically the only member interested in economy, *Gokhale*, 17,979-18,007.

Though the Financial Member can record his dissent, there is a want of touch between him and the Home authorities, *Barbour*, 1887-91; it would not be desirable to give him power of suspending action pending a reference to the Secretary of State, *Colvin*, 3248-50, or of corresponding directly with the Secretary of State, *Colvin*, 2941-51; nor should he be given a special power of appeal, *Roberts*, 15,592-8; his means of communication with the Secretary of State should not be increased, *Lansdowne*, 15,831-58.

There is no weakness in the position of the Finance Member, *Brackenbury*, 14,593-602, *Northbrook*, 14,047-8, 14,088-91.

Directions in which it would be desirable to strengthen the power of the Finance Member, *Colvin*, 2899-900, 3292-7, 3115-34.

No improvement in his powers is required as far as rules go, but greater weight should be attached to financial considerations, *Barbour*, 1833, 1928-42, *Colvin*, 2909-11. *Banerjea*, 19,060-6.

Both theoretically and practically his powers are as complete as it is possible to make them, *Lansdowne*, 15,812-5, *Ripon*, 16,172-6. He is well informed as to measures like to disturb the finances, *Lansdowne*, 15,823-30. Members of Council in general are not unmindful of financial interests, *Lansdowne*, 15,816-9.

The Financial Member has ample means of impressing his views on his colleagues, *Colvin*, 2901-8, and on the Secretary of State, but in the latter case they are of little use without the support of the Viceroy, *Colvin*, 2937-40; he would probably not find much support in the Secretary of State, *Ripon*, 16,203-6.

No proposal for expenditure could survive the opposition of the Viceroy and the Financial Member, *Northbrook*, 14,225-6.

The influence of the Secretary of State is not always exercised in the direction of economy, *Brackenbury*, 14,603-11.

The military policy which has been in vogue since 1885 combined with the Decentralisation System, which has directed the attention of the Viceroy from internal affairs to the more costly Military and Public Works Departments, have brought about the weakening of the Finance Member's influence, *Colvin*, 2912-28, 2957. Causes which may have brought a weakening of power, *Ripon*, 16,189-95, 16,229-36.

Value of comparisons of economy of financial administration in different years, *Lansdowne*, 15,820.

When each member is the head of a Department, and at the same time a member of a Government collectively responsible for its own acts, financial considerations should be of the utmost importance, *Cromer*, 13,518-9. It is the case that the practical control of the Finance Minister depends much on the idiosyncracy of the Viceroy, still it would not be desirable to impair in any way the power of the Viceroy, *Cromer*, 13,525-42. The Finance Member's powers of checking military and other expenditure depends largely on his personal influence and on that of the Viceroy, *Roberts*, 15,563-79, *Brackenbury*, 14,603-7. The Viceroy would consult his colleagues, who are quite alive to financial conditions, *Roberts*, 15,580-9. *See also Ripon*, 16,182-6, 16,225-8. The Financial Department is strong enough to secure due consideration of financial danger, but much depends upon the personality of the Financial Member, *Brackenbury*, 14,776-7. The tendency of spending Departments to spend freely in times of surplus and not to lay by for bad years may cause great inconvenience to the Financial Member, *Cromer*, 13,520-4. Dual Military representation is theoretically too strong, but the arrangement is the best; military men are not necessarily blind to financial considerations, *Cromer*, 13,563-70. *See also* Government of India, 6.

The danger in attempting to strengthen the financial element, *Cromer*, 13,571-9. The idea of attaching a small committee to the Financial Member would not be advisable, *Cromer*, 13,580-3.

The only remedy for any weakness is to improve the selection, *Cromer*, 13,584-5, *Lansdowne*, 16,112-24. *See also Wacha*, 17,398-414.

He would ordinarily have sufficiently early information of the intention to adopt a policy involving expenditure, *Ripon*, 16,196-202. He has free access to the Viceroy, and is fully informed of any measures likely to disturb the finances, *Lansdowne*, 15,823-30, *Northbrook*, 14,032-46.

POSSIBLE PREPONDERANCE OF MILITARY OVER FINANCIAL INTERESTS IN THE COUNCIL. *See* GOVERNMENT OF INDIA.

Channels through which the Financial Member would gain his information on revenue questions, *Barbour*, 1957-88, *Colvin*, 2965-7.

The difficulty of estimating the Revenue closely, *Barbour*, 2038-43.

Monthly accounts of the progress of revenue and expenditure are submitted to the Financial Member, *Waterfield*, 432*a*-46; *Barbour*, 3033-7; *Colvin*, 2933-3014, 3031-5.

FINANCIAL OFFICERS.

a. CIVIL. IN INDIA.

The Chief Financial Officers of the Central Government are the Financial Member of Council, the Financial Secretary, and the Comptroller and Auditor General; of the Presidencies of Bombay and Madras, the Financial Member of Council, assisted by the heads of branches, and by the advice of the Accountants-General; of the larger provinces, the Lieutenant-Governor; and of the minor provinces, the Chief Commissioner, *Waterfield*, 10-15.

i. *The Financial Member of Council, see* FINANCIAL MEMBER.
ii. *The Financial Secretary, see* FINANCIAL SECRETARY.
iii. *The Comptroller and Auditor-General, see* COMPTROLLER AND AUDITOR-GENERAL.
iv. *Provincial Accountants-General, see* ACCOUNTANT-GENERAL.
v. *Treasury Officers, see* DISTRICT TREASURERS.
vi. *Disbursing Officer, see* DISBURSING OFFICER.

b. MILITARY.

The Military Financial Officers are, the Military Member of Council, the Military Secretary, the Military Accountant-General, the Military Controllers in each Command (who are the auditors of Military Expenditure), *Waterfield*, 352; and the Military Examiners, who are purely audit and account officers on the staff of the Military Controllers, *Waterfield*, 352-4, 462-87; besides the foregoing there are the Commander-in-Chief and the Disbursing Officers, *Newmarch*, 1149-72*a*.

i. *The Military Member of Council, see* MILITARY MEMBER.
ii. *The Commander-in-Chief, see* COMMANDER-IN-CHIEF.
iii. *The Military Secretary, see* MILITARY SECRETARY.
iv. *The Military Accountant-General, see* ACCOUNTANT-GENERAL.
v. *The Controllers, see* CONTROLLERS.
vi. *The Examiners, see* EXAMINERS.
vii. *The Disbursing Officers, see* DISBURSING OFFICERS.
viii. *The Military Accounts Department, see* MILITARY ACCOUNTS DEPARTMENT.

c. PUBLIC WORKS.

The strength of the staff of the Central Accounts Branch of the Public Works Department is 84 officers, including an Accountant-General and a Deputy Accountant-General; so far as concerns the headquarters staff, it is the Finance as well as the Audit Branch of the Department, *Becher*, 1490-501. The Public Works Accountant-General has control over the accounts of the Telegraph Department, *Waterfield*, 501-2.

The Accounts Department compiles the estimates of the Executive Branch for the Budget, *Becher*, 1494-6.

Examiners, see EXAMINERS. *Public Works.*

Disbursing Officers, see DISBURSING OFFICERS.

FINANCIAL REVIEWS. *See* REPORTS.

FINANCIAL SECRETARY.

Financial Secretary in the India Office.

Evidence given by the Financial Secretary in the India Office, *see* WATERFIELD.

In India.

Corresponds generally to the Secretary of the Treasury at home; he is a member of the Indian Civil Service, and holds office till promotion or retirement; it is his duty to see generally that financial regularity is observed, *Waterfield*, 71–3.

His staff consists of a Deputy Secretary and under Secretary, an Assistant Secretary, a Registrar, and subordinates, *Waterfield*, 74–5.

FOREIGN OFFICE CONFERENCE.

As to apportionment of Naval charges, *see* NAVAL SERVICES, B.

Apportionment of Persian charges, *Waterfield*, 12,398–414, and of China Consulate Charges, *Waterfield*, 12,415.

FOREIGN DEPARTMENT OF THE GOVERNMENT OF INDIA.

The management of this Department is generally reserved for the Viceroy, *Colvin*, 3145–7, 3216–8.

FOREST DEPARTMENT.

Forests are worked by the Government primarily to improve the country, but they produce a net revenue, *Jacob*, 11,004–5. Net revenue and charges, 1875–6, and 1893–4, *Jacob*, 11,008–14. Even excluding Burma, the revenue has increased faster than the charges, *Jacob*, 11,015–9. Establishment charges have increased almost 200 per cent., due to increased numbers, *Jacob*, 10,020–3. Exception of the Central Provinces to the general improvement, *Jacob*, 11,038. The revenue is handicapped by the allowances to the people; such as fuel, *Jacob*, 10,040–1.

See also Jacob, 20,179–83.

FORMAN, MR. H. BUXTON, Assistant Secretary, and Controller of the Packet Services, of the General Post Office.

Evidence given by, *see* p. 477, and Analysis of Evidence, p. li, Vol. I., First Report.

FRONTIER EXPEDITIONS. *See* MILITARY FINANCE 2.

FULELI CANAL.

Shown in Finance Accounts to work at a loss, *Jacob*, 9090–7.

FURLOUGH AND FURLOUGH ALLOWANCES.

The increase in Military Furlough Pay, *Jacob*, 5487–90.

Civil.

Half-pay is given to officers on furlough out of India, subject to certain maxima and minima, and converted at 1*s.* 6*d.* the rupee, *Jacob*, 10,214–7, 10,225–6. Under the present rules, an officer's inclusive leave might amount to one-fourth of his service, *Jacob*, 10,230. Comparison of furlough granted to the Indian Civil Service, Diplomatic, Colonial, and Consular services, *Jacob*, 10,220–53. It is advantageous to the Service that an officer should take leave to England, *Jacob*, 10,254–5. The leave rules are satisfactory, *Jacob*, 10,260–2. Rules for the Native Civil Servants, *Jacob*, 10,275. The civil furlough charges from 1875–6 to 1893–4, have been, apart from exchange, almost stationary, *Jacob*, 10,267.

GEOLOGICAL SURVEY DEPARTMENT. *See* SCIENTIFIC AND MINOR DEPARTMENTS.

GODSELL, MR. WILLIAM, Auditor of the Accounts of the Secretary of State in Council.

Evidence given by, *see* p. 108, and Analysis of Evidence, p. xix, Vol. I., First Report.

GOVERNMENT OF INDIA.

Evidence given on behalf of the Government of India, *see* JACOB, WATERFIELD, HENT, COLLEN and BECHER, CAVE-BROWNE, GODSELL and WACE.

1. *Departments of the Government.*

The principal Departments of the Government of India are the Foreign, the Finance and Commerce, the Military, the Home, Revenue and Agricultural, the Public Works, and the Legislative Department, *Waterfield*, 36–42. Formerly all business was referred by the Secretaries of each Department to the Council as a whole, but now each member is in charge of a Department; he acts as a Minister in that Department subject to certain limitations. *Brackenbury*, 14,495–6.

2. *The Executive Council.*

There are seven members of the Executive Council, including the Viceroy and the Commander-in-Chief (*see also* COMMANDER-IN-CHIEF); one member in charge of the Finance Department, another of the Military (*see also* MILITARY MEMBER), another of the Home, Revenue, and Agricultural Departments, another of the Public Works Department, and another of the Legal Department, the charge of the Foreign Department being reserved for the Viceroy, *Colvin*, 3216–8.

The selection and duties of the Viceroy, *Gokhale*, 18,028–35.

The Provincial Governments are charged with the internal administration of India, and are only indirectly represented in the Council by the Home Member, *Colvin*, 2929.

As regards the composition of the Council, there is no difficulty about getting the best men from the Indian Service, but the English element should not be excluded, and some amelioration of the position of members appointed from England might be advisable; there would be a difficulty in making a distinction in the pay and emoluments of the two classes, *Cromer*, 13,543–7. Only two members can be appointed who have not served for 10 years in India, *Waterfield*, 14,928–30.

Rules of business in the Council, *Waterfield*, 15,489–93.

The decision of any Member of Council can be appealed against by his colleagues, *Brackenbury*, 14,411–18. Members of Council are Ministers in their Departments, subject to certain limitations, *Brackenbury*, 14,495–9. Members have free access to the Viceroy, *Lansdowne*, 15,823–30. No improvement is needed in the channels of communication between Members of Council and the Secretary of State, *Lansdowne* 15,831–58. A system of confidential Minutes for the information of the Secretary of State, but not for publication, might be useful, *Cromer*, 13,548–62.

3. *The Influence of the Viceroy in Council.*

The Viceroy is very powerful in India; he secures unity of action in the different Departments; the transference of any of his power to England should be avoided; if he is inclined to economy the Government is economical, if to liberality, it is liberal, *Barbour*, 1856–69, *Cromer*, 13,525–42.

The power of the Viceroy to overrule his Council, *Waterfield*, 579; *Barbour*, 1900–14.

4. *Dissent in the Council. See* DISSENT.

5. *Financial Considerations in the Council. See* FINANCIAL MEMBER OF COUNCIL.

6. *Possible Preponderance of the Military Element in the Council.*

From a broad point of view the presence of two Military Members in so small a Council is excessive; but no better arrangement can be suggested, *Cromer*, 13,563–70. The preponderance is not too strong, the Military Member is a distinct check on expenditure, *Roberts*, 15,547; *Lansdowne*, 15,920–2. The Commander-in-Chief is not a regular attendant, *Roberts*, 15,526–32. He is often away on tour for long periods, *Roberts*, 15,791–5; *Northbrook*, 14,227; and in his absence there must be a Military Member with the Council, *Ripon*, 16,247–55. The Viceroy and Finance Member would have great influence on the Commander-in-Chief, *Roberts*, 15,537–44, 15,559.

The Viceroy, both personally and in Council, exercises control over Military expenditure, *Brackenbury*, 14,603–7. Perseverance of the Commander-in-Chief in military proposals unsupported by the Viceroy, *Roberts*, 15,559. The Finance Member's power of checking military expenditure must depend on his own influence and on that of the Viceroy, *Roberts*, 15,562–79; *Brackenbury*, 14,500–13. Differences between the Finance and Military Members would be settled in Council, *Brackenbury*, 14,484–92. Position of the Viceroy when the two Military Members are opposed to the Financial Member, *Brackenbury*, 14,523. The Viceroy would always consult the Finance Member before committing himself to any change of military policy, *Brackenbury*, 15,509–603. The intervention of the Secretary of State during witness's service, *Brackenbury*, 14,614. His province lies with greater questions of policy, matters

of detail should be left to those on the spot, *Brackenbury*, 14,654–55.

' *See also* FINANCIAL MEMBER.

The relative positions of the Military Member and the Commander-in-Chief, *see* MILITARY MEMBER and COMMANDER-IN-CHIEF.

GENERAL ADMINISTRATION.

Alleged inefficiency of Administration in India due to the employment of Europeans, &c. *See* FINANCIAL MACHINERY 2, and NATIVES, EMPLOYMENT OF.

Heads of the Charge.

Salaries, &c. included under this head, *Jacob*, 9146–53. Total cost, 1875–6, was Rx. 1,464,000, and 1895–96, Rx. 2,032,000, *Jacob*, 9154.

The charges for the Governor-General, Governors, Chief Commissioners, staff, &c., *Jacob*, 9154–60. Tour charges should be curtailed, *Wacha*, 17,645–73. Executive and Legislative Councils, *ib.*, 9161–7, 9210–1. Secretariats and tour charges, *ib.*, 9168–75. Boards of Revenue and Financial Commissioners, *Jacob*, 9178–84. The Civil Account and Audit Department, the Public Works Accounts Audit, the Paper Currency Department, Reserve Treasuries and Presidency Banks, *ib.*, 9184. Local Funds, *ib.*, 9185, 9201–2. Miscellaneous Charges, *ib.*, 9186.

The charges in England include the expenses of the India Office, the Auditor, &c., the management of debt, law charges, passage and outfit allowance, and the cost of currency forms, *ib.*, 9191–3. *See* APP. No. 67, p. 339, Vol. III.

Increase or Decrease, 1875–6 to 1893–4.

Increase in 10 years, *Wacha*, 17,622–44.

Civil Secretariats, increase Rx. 109,000, *Jacob*, 9206–7, and 9215–22. Due to increase of staff, *ib.*, 9172–7, 9253. Local Funds, General Establishments, increase, Rx. 95,000; Civil Account and Audit, increase, Rx. 45,000; Commissioners, &c., increase, Rx. 28,000, *Jacob*, 9254–5. Inspectors-General of Stamps, Registration, and Excise, increase, Rx. 23,000, *ib.*, 9227–9. Revenue and Financial Commissioners, increase, Rx. 24,000, *ib.*, 9205, 9223–6. Increase of expenditure due to Burma, *ib.*, 9223–6, 9228–9, 9230–8, 9244–52. Reduction in Tour charges, *ib.*, 9256–7. The transference of certain charges from Imperial to Provincial, *ib.*, 9258–64.

The increase under General Administration is one of the largest in the Indian Accounts, *ib.*, 9239–43.

GIBRALTAR.

Relative importance of Gibraltar and Aden. *See* Aden.

GILGIT AGENCY COST, *Waterfield*, 12,216, and *see* APP. 38, p. 243, Vol. II., First Report.

GOKHALE, MR. GOPAL KRISHNA.

Evidence, *see* p. 205, Analysis of Evidence p. xliii., and APP. 90, p. 415 of this Vol.

GOVERNOR-GENERAL. *See* GOVERNMENT OF INDIA.

Evidence given by former Governors-General. *See* NORTHBROOK, LANSDOWNE, and RIPON.

The charge for the Governor-General, *Jacob*, 9155–8.

HEALTH OF BRITISH TROOPS IN INDIA.

Decrease in invaliding due to better sanitation, *Collen*, 6240–7, and possibly to the Temperance movement, *Collen*, 6673–6.

The "constantly sick" in Indian Military Hospitals, *Knox*, 12,810–20.

Decrease in mortality, *Collen*, 6288–92.

More than half the invalids come from those men over 25 years of age, *Collen*, 6248–61.

Possible efficient system of protecting the Army from venereal disease, *Brackenbury*, 14,851–3.

Rate of mortality and invaliding. *See* APP. 54 and 58, pp. 385 and 387, Vol. II, First Report.

HEXT, CAPTAIN JOHN, R.N., C.I.E., Director of the Royal Indian Marine.

Evidence given by, *see* pp. 426 and 460, and Analysis of Evidence, pp. xlvi. and xlix., Vol. I., First Report.

HOME EXPENDITURE.

Manner of stating the figures in the Explanatory Memorandum of the Secretary of State, *Waterfield and Cave-Browne*, 2362–89.

Services for which payment is made in the India Office, *Waterfield and Cave-Browne*, 2360. Except as regards stores, home expenditure is not under the control of the Government of India, *Brackenbury*, 14,717–24. Payments are not made under Code. *ib.*, 2477–8, but under the authority of the Secretary of State in Council, *ib.*, 2391, whose authority is complete except in regard to addition to his own establishment, *ib.*, 2483. Different heads of account, *ib.*, 2479–2584. Authority of the Secretary of State as regards expenditure, *ib.*, 2485–9. Procedure as regards increase of expenditure in England, *ib.*, 2490–3. Reference of questions to the Government of India, *ib.*, 2494–522. Supervision of expenditure in India, *ib.*, 2447–52.

Details of payments in England, 1875–6 and 1893, *Waterfield*, 11,563–4. Tendency towards a decrease in the latest accounts, *Waterfield*, 11,570–3.

The whole expenditure of the Government of India in England, Civil and Military, has increased by 3,000,000*l.* since 1875, *Jacob*, 5431–42. Expenditure on Home Charges chargeable to General Administration, *Jacob*, 9191–3. Marine Charges in England, *Jacob*, 9823–7. Medical Home Charges, *Jacob*, 10,106–9. Political Charges in England, *Jacob*, 10,162–3. Pensions payable in England, *Jacob*, 10,418. Stationery stores, *Jacob*, 10,522–3, 10,543–4, 10,566–8. Stores for buildings and roads, *Jacob*, 10,687, 10,704–6, 10,697. Post Office Stores *Jacob*, 11,401–2, 11,415–28, and *see* APP. No. 67, p. 339, Vol. III.

[*See* APP. 43 and 51, pp. 256 and 378, Vol. II., First Report. *See* APP. 44, p. 258].

England should share the cost of the charge for the India Office, *Gokhale*, 18,508–29, and of Home charges generally, *Wacha*, 17,821.

INCOME TAX. *See* TAXATION.

INCREASE OF EXPENDITURE. *See* EXPENDITURE.

INDIAN MEDICAL SERVICE. *See* MEDICAL DEPARTMENT.

INDIA OFFICE.

India Office Procedure, *Waterfield and Cave-Browne*, 2394–5, 2465–78, branches and division of business, *ib.* 2396–2415. The establishment is regulated by Order in Council, *ib.* 2482–4.

a. THE COUNCIL OF THE SECRETARY OF STATE.

Gradual reduction of the number of members. *Waterfield*, 11,574–5. Members do not now earn pensions, *Waterfield*, 11,576–89. The power to appoint professional members, *Waterfield*, 11,590–3. No inconvenience has resulted from the reduction in numbers, *Waterfield*, 11,595–605. Committees of the Council, *Waterfield*, 11,606–7.

Suggested alterations in the constitution of the Council, *see Banerjea*, 19,160–3; *Gokhale*, 17,894–975; *Wacha*, 17,822–3.

b. CORRESPONDENCE DEPARTMENT.

Divided into six departments including the Financial Department, *Waterfield*, 11,636–52.

Reduction in number, *Waterfield*, 11,608–15. Value of services after 60 years, *ib.* 11,632–5. Age for retiring, *Waterfield*, 11,616–20. Fall in the charge for salaries has been about 11½ per cent., *Waterfield*, 11,621–4. The proportion of higher to lower division clerks, *Waterfield*, 11,625–6. Work done by the Registry Department on behalf of the Correspondence and other Departments, *Waterfield*, 11,625–6. Arrangement of rooms, *ib.*, 11,627–31, 11,649–52.

Financial procedure, *Waterfield and Cave-Browne*, 2454–64. The financial advisers of the Secretary of State, *ib.*, 2443. All measures involving expenditure go before the Secretary of State personally, *ib.*, 2444–6, and he sees all important papers, *ib.*, 2476. Criticism of financial proceedings in India, *ib.*, 2447–53. Method of dealing with the policy of imposing fresh taxation, *ib.*, 2469–73. Amalgamation of the Financial and Revenue Departments desirable, *Colvin*, 3292–7. Strengthening of financial interests in the India Office desirable, *Barbour*, 2190–1; *Colvin*, 3284–93.

c. FUNDS DEPARTMENT.

Deals with the Indian Family Pension Funds and Civil Funds; Staff, *Waterfield*, 11,653–62. Receipts from the Funds; Accounts dealt with in England, *Waterfield*, 11,663–9. Questions referred to the Finance Committee, *Waterfield*, 11,670–1. The

System of the Indian Family Pension Funds, *Waterfield*, 11,950–76. Circumstances in which they were taken over by the Government, *Waterfield*, 11,950–93.

d. ACCOUNTS DEPARTMENT.
Formerly subordinate to the Financial Secretary, former and present normal staff, *Waterfield*, 11,672–3. Reference of questions to the Financial Secretary and Committee, *Waterfield*, 11,674–82. Duties of the Accountant-General, *Waterfield and Cave-Browne*, 2416. Management of balances, *ib.*, 2430–42.

e. STORES DEPARTMENT.
The Director-General and Staff is established in the India Office, the Superintendent and Staff in the depôt at Lambeth, *Waterfield*, 11,683, *Cave-Browne*, 3529–33. Director-General's Staff, *Waterfield*, 11,684–90. The Superintendent's Staff, *Waterfield*, 11,691–2.
Method of procuring stores for India, *Cave-Browne*, 2523–7. Classes of stores and mode of supply, *ib.*, 2534–61, 2621–37. Method of payment for stores for guaranteed railways, *ib.* 2574. The policy pursued in obtaining stores, *Waterfield*, 11,695–6. Charge for general stores nearly stationary, 1877–88, *Waterfield*, 11,697–706. Large increase due to railway stores, *Waterfield*, 11,707–8. Percentage of the cost of the Department on the value of stores. *Waterfield*, 11,709–26. Fall in prices neutralises the effect of the fall of the rupee, *Waterfield*, 11,727–44. Inspection charges, *Waterfield*, 11,745–53–5. Supply of stamps, *Waterfield*, 11,757–73. Local supply in India of malt liquor, *Waterfield*, 11,774. Amount of stores supplied does not decrease, importance of keeping the charge as small as possible fully recognised, *Waterfield*, 11,774–83. Wages and rent, *Waterfield*, 11,811–4. *See also* STORES.

f. REGISTRY DEPARTMENT.
Registrar's Staff, *Waterfield*, 11,794–7.

g. AUDIT DEPARTMENT.
Strength of the Department and cost, *Godsell*, 2661–3, *Waterfield*, 11,803–4. Question raised by the Auditor as to the means of properly checking the Army effective accounts, *Waterfield*, 11,805–9.
The independence of the Auditor, *Godsell*, 2650–7, duties, *ib.*, 2658–60.
His report, with a statement of action taken thereon, is presented to the Secretary of State, but the Report only is laid before Parliament, *Godsell*, 2664–6. Powers limited to expressing disapproval, *ib.*, 2667–93. Instance of questioning a payment sanctioned by Council, *Godsell*, 2681. Opinions as to the limits of the Auditor's power, *Godsell*, 2682–95. He has no control over the actions of the Government in India, *Godsell*, 2703–17, 2727–43, 2747–9. Means of information, *Godsell*, 2718–9, 2720–4.

h. MISCELLANEOUS OFFICES, &c.
Increase in the number of miscellaneous officers, *Waterfield*, 11,798–9. Messengers, *Waterfield*, 11,800–2. Telegrams, postage, and contingencies, *Waterfield*, 11,815–20. Library grant, *Waterfield*, 11,821–33. Rent and taxes, India Office, &c., *Waterfield*, 18,834–46. Allowance to Civil Service Probationers, *Waterfield*, 12,019–21. Outfit allowances, *ib.*, 12,022.

i. MANAGEMENT OF DEBT, *see* DEBT SERVICES.

j. ROYAL INDIAN ENGINEERING COLLEGE.
Not possible to hand the college over to a private body; it is now nearly self-supporting, *Waterfield*, 11,940–7; but has in the past been a source of loss, *ib.*, 13,035–8.

k. HOME CHARGES, *see* HOME EXPENDITURE.

l. THE HOME ESTIMATES, *see* BUDGET, 6.

INDIAN MARINE, *see* NAVAL SERVICES.

INEPECTOR-GENERAL OF FINANCE.
Analogy of French Government, *Colvin*, 2975–7; *Cromer*, 13,594–602.

INVALIDING OF TROOPS, *see* SHORT SERVICE.

IRRIGATION.
General policy, *Waterfield*, 14,935–6. Irrigation works are classified as major and minor works. *Jacob*, 8724, 9055–6. The works are administered by officers of the Public Works Department, under the general control of the Provincial Governments, *Jacob*, 8725–7. In regard to a new work the initiative rests with the chief of the Provincial Irrigation Departments, *Jacob*, 8730–7, 9053–4. Circumstances in which productive and protective works are undertaken respectively, *Jacob*, 8728–9. Definition of protective works, *Jacob*, 8906–7. Classification of protective works as major works. *Waterfield*, 14,942–52. The sum set apart annually for major works would be about Rx. 800,000, *Jacob*, 8738–41, 9026–7, of this Rx. 50,000, or more, is appropriated out of revenue. *Jacob*, 9058–61. The cost of construction of major works, now charged to loan funds, or to Famine Relief, *ib.*, 8751–6. The charge for repairs and depreciation, *ib.*, 8774–82.
Up to a certain limit minor works are carried out by Provincial Governments, *Jacob*, 8742–4. Local contributions are very small, *Jacob*, 8745–50.
Outlay in England for purchase of East India and Madras Irrigation and Canal Companies Works, *Jacob*, 8783–90—809. The value of irrigation varies with the soil, *Jacob*, 8898–903. Harmful effect of irrigation in one part of the country, *ib.*, 9018–22, 9785–6. On the whole the results expected have been realised, *Waterfield*, 14,937–40.
Direction in which extension of works should be made, *Wacha*, 17,590–621.

1. MAJOR WORKS.

a. *Increase of Expenditure.*
Total capital expenditure up to 1875–6, Rx. 12,897,901; 1894–5, Rx. 30,343,404; estimated capital expenditure up to 1896–7, Rx. 31,921,000, *Jacob*, 8759–60. About 22 millions of the total for 1894–5 has been incurred from loan funds, *Jacob*, 8766–71.

b. *Receipts.*
Major works produce a small revenue, *Jacob*, 8810, which fluctuates according to the rainfall, 8810–4. 8821–2, 8842–7. The irrigation revenue is mainly made up of direct receipts from purchase of water, *Jacob*, 8815–7. Receipts small for the supply of water to municipalities, *Jacob*, 9119–21. Another class of irrigation receipts is the land revenue credited to irrigation, *Jacob*, 8818–20, 8823–5. Land revenue credited to irrigation from 1892–3 to 1896–7, *Jacob*, 8840–1. In some cases the direct purchase of water is credited to this head, *Jacob*, 8833–4. The assessment of land on the resettlement, *Jacob*, 8825–30, 8835–8, 9138–42. Details of the direct receipts in 1894–5, *Jacob*, 8977–8. Assessment of occupiers' rate, *Jacob*, 8982–6, 9128. Amount of occupiers' rate in Punjab, North-West Provinces, and the whole of India, *Jacob*, 8984–94. Receipts from owners' rate are small, *Jacob*, 8987–8. No protective irrigation rate is levied in any part of India; in Madras all the irrigation revenue is collected as land revenue, *Jacob*, 9787–8. Protective works will never be productive, *Jacob*, 8891–5. There are no owners' rates in Bengal, *Jacob*, 8933–4.

c. *Net Receipts.*
Proportion of receipts to charges, *Jacob*, 8848–55, 9074. Increase in the interest charge from 1875–6 to 1896–7, *Jacob*, 8856–62. The net receipts in 1884–5 and 1895–6, estimated receipts, 1896–7, *Jacob*, 8863–70. From 1884–5, after covering all charges, there has been a clear surplus of 1 per cent., *Jacob*, 8871–6–8, 8888–90. The net revenue increases with the gross receipts, as the working expenses are stationary, *Jacob*, 8879–82. Financial result very satisfactory, *Jacob*, 9017. The older works pay better than the newer, *ib.*, 9023–5.

d. *Individual Irrigation Works.*
Revenue only comes in from direct receipts in Bengal, *Jacob*, 8916–20. The Orissa and Sone projects in Bengal were started by companies and taken over by Government, *Jacob*, 8929–30, 8995–9016. Small demand for irrigation in Bengal, *ib.*, 8931–2. Receipts and expenditure in Bengal, 1893–4, *Jacob*, 8935–45, 8954. Capital outlay in Bengal and the North-West Provinces, receipts, &c., *ib.*, 8946–50. Bengal and Bombay works still show losses, probably because they are protective works, *Wacha*, 17,583–9. Expenditure, receipts, and net revenue in Madras, *Jacob*, 8958–9. Irrigation works before the advent of the British Government, *Jacob*, 8970–6. Enumeration of several old irrigation works constructed by native Governments, *Jacob*, 9645–50. The cost of reconstructing these old works brings a fair charge against capital, *ib.*, 8960–9.
Assistance given by the Government to the East India Irrigation Company on formation, *Jacob*,

9651–61. Terms on which the works were taken over, *ib.*, 9652–83, 9789–99, 9714. The Government is making nothing out of these works, but they are in the course of development, *ib.*, 9664–8. Arrangements under which the Company's water was distributed, *ib.*, 9710–11, *see* APP. 25 and 30, pp. 222 and 226, Vol. II., First Report. Terms on which the Madras Irrigation Company's works were taken over, *Jacob*, 9714–33, *see* APP. 31, p. 226, Vol. II., First Report. There is practically no return from these works, but they are of value as protective works, *ib.*, 9751–4.

2. MINOR WORKS.

Definition and manner of charging, *Jacob*, 9038–47. Revenue, expenditure, and net charge, 1892 to 1897, *Jacob*, 9075. In the Finance Accounts these works show a loss, but with the addition of the land revenue due to irrigation they would show a net revenue, *ib.*, 9090–7. Suggested alterations in the mode of accounting for minor works, *Jacob*, 9098–114, 9124–5. There is no accurate information as to the cost of those works of which no capital account is kept, *Jacob*, 9789–95.

INSPECTORS-GENERAL.

Of Stamps, Registration and Excise, charge for, *Jacob*, 9178–89.

Of Finance, *Colvin*, 2975–7.

IYER, MR. SUBRAMANIA.

Representing the Mahajana Sabha of Madras. Evidence, pp. 245 and 292, and Analysis of Evidence, p. xlvi., *also* App. 92, Vol. III., p. 428.

JACOB, MR. STEPHEN, C.S.I., Comptroller and Auditor-General to the Government of India. Evidence given by, *see* pp. 1, 24, 114, 186, 201, 221, 385, 234, 247, 266, 284, 300, 317, and 333, and Analysis of Evidence, pp. xii, xxv, xxvi, xxix, xxx, xxxi, xxxii, xxxiii, xxxiv, xxxvi, xxxviii, xxxix, Vol. I., First Report, *also* pp. 313, xlvii of this Vol.

JAILS. *See* POLICE AND JAILS.

JUDGES, IN INDIA. *See* LAW AND JUSTICE.

JUDICIAL OFFICERS. *See* LAW AND JUSTICE.

KARUN RIVER. *See* EUPHRATES—TIGRIS.

KENNEDY, VICE-ADMIRAL WILLIAM R. Evidence given by, *see* p. 441, Vol. I., First Report, and Analysis of Evidence, p. xlvii.

KILMAINHAM HOSPITAL. *See* MILITARY FINANCE, 3. b. c. 6.

KNOX, SIR RALPH, K.C.B. Accountant-General of the Army, and Member of the Royal Commission. Evidence given by, *see* pp. 485 and 503, and Analysis of Evidence, p. li., Vol. I., First Report.

LAING, MR. SAMUEL (formerly Financial Member of Council).

First mooted the idea of permitting Provincial Governments to raise Revenue for Provincial and Local purposes, *Waterfield*, 633.

LAND REVENUE.

1. ADMINISTRATION.

The Provincial Revenue is generally subject to the control of the Revenue and Agricultural Department of the Government of India, *Waterfield*, 270–4. Staff of the Central Department, *Waterfield*, 275. Its functions, *Waterfield*, 276–80. The Finance Department must be consulted as to alterations of the law involving a loss of revenue or an increase of charge, *Waterfield*, 281. The Revenue Collection is under the immediate control of the Provincial Governments, and the systems varying greatly in the different provinces, and even in the various districts, this Revenue could not be directly administered by a Central Department, *Bernard*, 1760, *Waterfield*, 270–4. It forms about 28 per cent. of the whole revenue of India, *Jacob*, 10,734–9.

2. RECEIPTS. *See* PROVINCIAL SYSTEM, 3 b. Receipts credited to Irrigation. *See* IRRIGATION, 1 b.

3. CHARGES FOR COLLECTION.

This head comprises charges for the whole District Administration, *Jacob*, 10,740–1. Sub-heads, *ib.*, 10,742–3. From 1875–6 to 1893–4 the charges have increased by over 38 per cent. (in the same years the gross and net revenue increased by 22¼ and 19¾ per cent. respectively), *Jacob*, 10,744–51. The charges continue to increase, *Jacob*, 10,752. Of the increase of 50 per cent. of charges in Madras, all but 10 per cent. is due to services recently undertakers by the Government, *Jacob*, 10,755–7. Were the charges for the services assumed by Government since 1875–6 deducted in order to make a fair comparison, the increase since that date in receipts and charges would be almost proportionate, *Jacob*, 10,758–835. Increases in the Central Provinces, Lower Burma, and Bengal, *Jacob*, 10,836–44. The charge for "Land Records and Agriculture," *Jacob*, 10,845–61. The increase under the head of Administration is entirely due to the subordinate service, *Jacob*, 10,862–6. Increase of the whole charge due to increased territory, *Jacob*, 10,867–72. Bombay charges have remained very stationary, *Jacob*, 10,873–9, 10,880–9. Method of payment to hereditary collectors of revenue by commission, *Jacob*, 10,890–1. Estates which have come into possession of the Government in default of payment of Land Revenue by the owners, *Jacob*, 10,892–900.

The percentages of charge to collection in various districts, *Jacob*, 10,925–37–44. The charge for the whole of India works out at about 15 per cent. of the receipts, *Jacob*, 10,945–8. The results vary with the systems in the different Provinces, *Jacob*, 10,949–51. The general principles of the systems are much the same, *Jacob*, 10,951–65. The employment of Natives, *Jacob*, 10,966–11,003.

The cost of collecting Provincial Rates. *See* PROVINCIAL RATES.

4. DEDUCTIONS FROM LAND REVENUE.

Explanations of "Assignments," and "Compensasations," *Jacob*, 10,901–3. Increase in grants of 27 per cent. since 1875–6, *Jacob*, 10,904–8. "Refunds," *ib.*, 10,909–11. There is no system of buying-up perpetual grants, *Jacob*, 10,912–14.

LANSDOWNE, THE MOST HON. THE MARQUIS OF, K.G., &c., formerly Governor-General of India. Evidence, p. 118, and Analysis of Evidence, p. xxxix.

LAW AND JUSTICE.

Population and areas for which Legal Establishments were provided at different periods, *Jacob*, 4209–13.

CRIMINAL COURTS.

The Magisterial work is done by the District Magistrates, aided by Assistant and Deputy Collectors and Magistrates, and by sub-divisional officers, *Jacob*, 4478. The District and Assistant Magistrates are chiefly Europeans, the others are natives; powers of punishment; appeal to the Sessions Judge, *Jacob*, 4478–96. Honorary magistrates, 4542–4.

There is one sessions judge for each district, sometimes one for two districts; powers of capital punishment and summary sentence; appeals to the High Court, *Jacob*, 4497–514, 4508.

Pay of the foregoing magistrates and judges. *Jacob*, 4549–51. The authority of the High Court over these subordinate Courts, *Jacob*, 4510–8.

CIVIL COURTS.

The lowest grade judge is the Munsif, next are the Subordinate Judges, then the District and Sessions Judges; powers of the foregoing and appeals from their judgments, *Jacob*, 4519–200. Pay of the Civil Judges, *Jacob*, 4545–7. The tendency of the number of Courts is to increase, *Jacob*, 4537–41. *See* APP. 16, p. 185, Vol. II., First Report.

SUPREME COURTS.

Over all these are the High or Chief Courts, *Jacob*, 4521–9, or, in some Provinces, Judicial Commissioners, *Jacob*, 4530–6. *See* APP. 33, p. 229, Vol. II., First Report.

COMPARISON OF EXPENDITURE.

Total increase 1875–6 to 1895–6, Rx. 851,000, of which Rx. 100,000 is due to the extension of territory, *Jacob*, 4222–33. The increase of expenditure to that of population is in the proportion of 33 to 17, *Jacob*, 4239–43. Non-effective and other charges to be added, *Jacob*, 4567–602.

Except in Bombay expenditure on courts of law has kept pace with the requirements of the increasing population, *Jacob*, 19.991–4.

See APP. 14, p. 184, Vol. II., First Report.

Distribution of the Increase.
Main heads—Civil Courts, Rx. 463,000, Criminal Courts, Rx. 291,000; Miscellaneous heads, Rx. 100,000, *Jacob*, 4244–50.
The Civil Court expenditure is split up between Superior and Subordinate Courts, Establishments, contingent expenses, Witnesses and Process Service, *Jacob*, 4251–64, 4155–51. Explanation of the increase under these sub-heads, *Jacob*, 4314–58. The Criminal Court Expenditure is split up between Superior and Subordinate Courts, Cantonment Magistrates, &c., Courts, Establishments, Allowances, Witnesses, Process Service, and other charges, *Jacob*, 4265–73, 4462–77. Explanations of the decreases or increases, *Jacob*, 4274–309.
The Separation of Judicial and Executive Functions as a Factor of the Increase.
The separation, so far as the higher Courts are concerned, is complete in the Regulation Provinces, it has caused an increase of Rx. 58,000, *Jacob*, 4339–41. In 1875–6, when Revenue and Judicial functions were performed by the same men no part of the cost would have been charged to Law and Justice, *Jacob*, 4342–6. All the magisterial work is now performed by executive officers, *Jacob*, 4406–11, 4371–7. Any separation must cause a large increase of expenditure, *Jacob*, 4378–93.
The Net Cost.
In 1885, *Jacob*, 4604–15. Deficit in 1875–6, Surplus in 1893–4, *Jacob*, 4616–36*a*; and in 1895–6, *Jacob*, 4637–8. Though the expenditure must increase, it will be balanced by the receipts, *Jacob*, 4644–5. The Courts are practically self-supporting, *Jacob*, 4646–50.
The question of saving effected by employing natives, *Jacob*, 4551–7. Comparison of cost of Europeans and Natives, *Jacob*, 4664–9. The employment of natives has increased in recent years, all original Civil Jurisdiction is in their hands, *Jacob*, 4671–2.

POLICE AND JAILS. *See* POLICE AND JAILS.

LEGISLATIVE COUNCIL.
1. *The Viceregal and other Legislative Councils.*
Presentation of the Budget to, *Waterfield*, 303. Criticisms passed on the budget in the Council, *Lansdowne*, 16,125–32, *Brackenbury*, 14,675–86.
Question of giving independent or unofficial members more power, *Ripon*, 16,474–9, and *see Banerjea*, 19,090–6, 19,186–99; but *see Lansdowne*, 16,125–32, and *Ripon*, 16,468–74. Insufficiency of their powers, *Wacha*, 17,194–219.
There are now five such Councils, *Jacob*, 9214.
The practice in Legislative Councils should be assimilated to that of Parliament, *Banerjea*, 19,101–5–33. The Government has a standing majority in the Councils, and there is no sort of check on behalf of the taxpayers, *ib.*, 19,134–41; *Wacha*, 17,091–145. Usefulness of such checks, *ib.*, 19,142–51. Position of the unofficial members in Ceylon, *ib.*, 19,152–9. Proposal to elect members of the Secretary of State's Council by the unofficial members of the Viceregal Legislative Councils, *ib.*, 19,160–3. *See also Gokhale*, 17,894–978; *and Wacha*, 17,822–3. The controlling authorities are practically the same as the spending authorities; there is no real popular control notwithstanding the Legislative Councils, *Gokhale*, 17,859–64. Each Provincial Legislative Council should return a member to Parliament, *Gokhale*, 18,017–27.

LIEUTENANT-GOVERNOR.
Is the head of the Provinces of Bengal, North-West Provinces, Burma and Punjab, *Waterfield*, 8.

LIGHTHOUSES AND LIGHTSHIPS. *See* MARINE CHARGES.

LOANS.
To Municipal Bodies, *Jacob*, 7391–401.
See also DEBT.

LOCAL BOARDS. *See* LOCAL SELF-GOVERNMENT.

LOCAL SELF-GOVERNMENT.
The system under which Provincial Governments delegate part of their authority to local bodies, the powers, duties, and sources of income of such bodies, *Waterfield*, 930–5; local taxes levied by these bodies, *Waterfield*, 634.
Before developing popular institutions, an examination should be made into their past administration; if the result were satisfactory a further voice in the affairs of the country should be given to the natives of India, in a gradual and tentative manner, *Cromer*, 13,691–702.
Loans to Municipal Bodies, *Jacob*, 7391–401, and Native States, *ib.*, 7402.
Police arrangements between Municipalities and the Government, *Jacob*, 7617–23. *See also* CALCUTTA.
Educational Expenditure charged to Local Rates and Municipal Funds. *See* EDUCATION, 2.

MACFARLANE, SIR D.
Return of Military Expenditure, *Collen*, 4753–69, 5053.

MADRAS.
This Province came under the extended Provincial system later than the other Provinces, *Jacob*, 19,956. Increase in provincial expenditure in the last as compared with the second quinquennium, *ib.*, 19,970. Increase in Civil Departments 26·8 per cent., *ib.*, 19,965; Public Works 22·6 per cent., *ib.*, 19,968. Provincial and local expenditure, *see* APP. 82, p. 368, Vol. III.
Police Expenditure, *Jacob*, 7628–9. Irrigation Revenue and Works. *See* IRRIGATION, Land Revenue Charges, *Jacob*, 10,755–7.

MADRAS IRRIGATION COMPANY. *See* IRRIGATION, 1 d.

MAGISTRATES. *See* LAW AND JUSTICE.

MAIL SERVICE. *See* EASTERN MAIL SERVICE.

MALTA.
Relative importance of Malta and Aden. *See* ADEN. EXPEDITION, Payment of troops for, *Collen*, 6117–50.

MARINE, THE ROYAL INDIAN. *See* NAVAL SERVICES.

MARINE CHARGES.
Enumeration of the Provincial Marine Charges, *Jacob*, 9804–12, 9829–30. Net charge 1893–4, Rx. 76,293, *Jacob*, 9814. Items, *ib.*, 9814–5.
Gross Provincial charge including the Upper Burma charge (which is Imperial), *Jacob*, 9822–3. Charges in England, including stores, *Jacob*, 9823–7.
The charge for purchase and hire of Provincial steamers, establishments and shipping offices, *Jacob*, 9828, 9831–3. Subsidies to Steamers, *ib.*, 9834–6.
The light dues more than cover lighthouse and lightship expenses, *Jacob*, 9837–41. Pilotage receipts more than cover the charges, *ib.*, 9842–4.

MARINE DEPARTMENT.
Under the Military Department, *Waterfield*, 501–2. *See also* NAVAL SERVICES.

MARTIAL LAW Expenditure in India, *see* Military Finance, 2, a.

MAURITIUS TELEGRAPH. *See* Zanzibar and Mauritius Telegraph.

MAYO, THE EARL OF.
Inception of the Provincial System in Lord Mayo's Vice-royalty, *Waterfield*, 582–7.

MEDICAL DEPARTMENT.
The necessity for supplying Medical Attention to Civilians, *Jacob*, 10,062–3. The actual administration is with the Provincial Governments, under the control of the Home Department of the Government of India, *Jacob*, 10,068–71. The pay of Commissioned Medical Officers in charge of Civil Districts, *Jacob*, 10,083. Contemplated increase, *Waterfield*, 15,066–79. Such Officers have no Military duties, though they are looked on as a reserve for the army, *Jacob*, 10,085–90. Allowance given to Military doctors for performing Civil duties in addition to their Military duties, *Jacob*, 10,091–6.
Expenditure.
Net charge 1893–4, Rx. 904,000, *Jacob*, 10,064. Heads of the charge, *ib.*, 10,075. The increase in the charge for establishments, *Jacob*, 10,065–7, 10,079–80, 10,084. The charge for Medical Schools, *ib.*, 10,076–8, 10,102–5. Increase under the head of Hospitals and Dispensaries, *Jacob*, 10,072–4, 10,097–8. Increase in the charge for sanitation and vaccination, *Jacob*, 10,099–100. Charges in England, the maintenance of lunatics, *Jacob*, 10,106–9.
Proposed Reorganisation of the Medical Services.
Suggestion of a more economical system, *Banerjea*, 19,342–9.
An amalgamation of the British and Indian Services would conduce to efficiency as well as to economy, *Bahadurji*, 13,409–24, *Collen*, 6473–84. The administrative branch, but not the executive, has already

undergone amalgamation, *Bahadurji*, 13,425–33. The advantages of the Station Hospital system, *Bahadurji*, 13,434–54. As regards natives, *Bahadurji*, 13,455–61. The rejection of the Station Hospital system, *Bahadurji*, 13,464–6. Proposed abolition of superfluous establishments; the substitution of an Indian training for the Netley course, *Bahadurji*, 13,462–3. Military Medical Officers serving in the Civil Department, *Bahadurji*, 13,474, inconvenience of this practice, *Bahadurji*, 13,475–82. Proposed reconstitution of the Civil Department, *Bahadurji*, 13,482–97. Economies to be effected by these reforms, *Bahadurji*, 13,498–502.

The charge for Recruiting the Indian Medical Service. *See* MILITARY FINANCE, 3, c.

MEMBER OF COUNCIL:

Member of the Council of the Secretary of State for India, *see* INDIA OFFICE. Member of the Council of the Governor-General of India, *see* GOVERNMENT OF INDIA.

METEOROLOGICAL DEPARTMENT. *See* SCIENTIFIC AND MINOR DEPARTMENTS.

MILITARY ACCOUNTANT-GENERAL. *See* ACCOUNTANT-GENERAL, 2, *b*.

MILITARY ACCOUNTS DEPARTMENT.

The Department, in each Command under the Controller, is divided into:—1. The Central Branch. 2. The Accounts Branch. 3. The Pay Branch. 4. The Commissariat Branch. 5. The Ordnance and Clothing Branch. 6. The Special Branches. And besides these, a certain number of Military Accountants are detailed for inspection and special services, *Collen*, 3373.

There are three grades of officers: i. Commissioned Officers; ii. The Subordinate Accountants Service, being either civilians or non-commissioned officers; and iii. The Clerical Service, chiefly natives, *Collen*, 3606–11.

The Commissioned Officers are seconded, in the first instance, from their regiments for five years, they then either return to regimental duty or enter the Department permanently, *Collen*, 3374–80, 3384–9. They have a prospect of promotion to the rank of Controller, or, possibly, Accountant-General, *Collen*, 3612–23.

There is no inconvenience in this system of employing Military Officers, *Collen*, 3381–3.

MILITARY FINANCE.

1. ADMINISTRATION.

Administration—Military Financial Officers in India. *See* FINANCIAL OFFICERS. The Military Budget in India, *see* BUDGET, and AUDIT, *see* AUDIT.

Procedure in the Military Department, *Collen*, 3567.

In later years the check on military expenditure has become more severe, *Collen*, 2305–11. Steps taken by Sir Henry Brackenbury in that direction, *Brackenbury*, 14,591–2. The Military Member has more complete financial information than formerly, *Collen*, 3312–28. The presence of two Military representatives in the Council does not create an unfair Military predominance, *Collen*, 3569–605 (*see* GOVERNMENT OF INDIA). It is the special duty of the Military Member to check expenditure, *Collen*, 3623–32; *see also Cromer*, 13,563–70, and, though he is not a trained financier, his opinion is valuable, *Collen*, 3615. The function of the Military Department is to check expenditure proposed by the Military authorities, *Collen*, 3554–9. The Department frequently negatives proposals for fresh expenditure, *Collen*, 3596–9, 3634–5.

Power of the Military Department to transfer savings under any grant from one command to another, *Collen*, 3496–9.

Manner in which proposals arise in the Military Department, *Brackenbury*, 14,449. Sources of their origin, *ib.*, 14,450–62.

2. MILITARY EXPENDITURE—INCREASE OR DECREASE.

The Military Department study economy consistently with efficiency, *Northbrook*, 14,097.

Military expenditure is too high, *Banerjea*, 19,234–58.

Expenditure previous to the meeting and at subsequent dates, *Gokhale*, 18,192–222. Facts in connection with military expenditure; excessive force of British troops, the short service system, natives excluded from the higher prizes of a military career, *Gokhale*, 18,200–21. The organisation of the Indian Staff Corps is wasteful, *Gokhale*, 18,221–4. Indian public opinion on unnecessary increase of military expenditure, *Wacha*, 17,348–59; *Jacob*, 20,193–202.

No large reduction can be expected, *Collen*, 6550–3. No great variation from the present standard of Military expenditure is to be expected, *Brackenbury*, 14,714–6, 14,768–70. Probable further expenditure on Military railways, *Roberts*, 15,604–5.

Sources of probable increase in Military expenditure, *Lansdowne*, 15,866–84, 15,911–9. It would be an advantage if more money could be spent at once on water supply, *Brackenbury*, 14,742. Possible reduction of the native army as the reserve grows, *ib.*, 6554. Numbers of the British and native troops 1875–6 and 1893–4, *Jacob*, 4846–55. Necessary proportion of British and native forces, *ib.*, 6555–6, 6627–30, 6686–7, 6631–50. An increase is desirable in the number of British officers with native regiments, in the Garrison Artillery, and in the Camel Transport, *Brackenbury*, 14,725–34.

Necessity for the formation of a reserve of British officers for native regiments, *Roberts*, 15,718–30. Native officers would not fill the want, *Roberts*, 15,748–51. The British cavalry in India must not be reduced, *Roberts*, 15,807–9. The present establishment of the Indian army should not be reduced, *Roberts*, 15,774–5. External danger to India has increased rather than decreased, *Roberts*, 15,731–4. No change in the rate of officers' pay is expected, *Brackenbury*, 14,737–67.

Figures given by Sir Henry Waterfield in his table (App. 9, Vol. II., First Report), *Jacob*, 4751–81. Army Organisation Committee proposals and savings. *See* APP. 20 and 21, pp. 191 and 196, Vol. II., First Report.

Thirty per cent. of the revenue would cover the military charges, *Jacob*, 4782–802.

Comparison of expenditure of 1893–4 and previous years, excluding extraordinary expenditure, *Jacob*, 4829–45.

Comparison of revenue and military expenditure in 1875–6 and 1893–4, *Jacob*, 4856–61.

Steps taken by Sir Henry Brackenbury to check the growth of Military expenditure, *Brackenbury*, 14,591–2. The control of the Secretary of State has not produced any sensible economy in military expenditure, *Brackenbury*, 14,056–71, 14,612–15. In the last decade there has been a net increase of a quarter of a million, *Wacha*, 17,436–43, *and see* 17,444–55. The cost of a soldier in India compares unfavourably with other countries, *Wacha*, 17,457–66.

No large expenditure on fortifications is to be expected, *Roberts*, 15,735–8. Systems of accounting for expeditions, defence works, and special operations, *Waterfield*, 15,223–27.

Since 1885–6 the increase has been nearly entirely due to exchange, *Brackenbury*, 14,358–62. Between that time and 1895–6 the increase has been trifling, *Brackenbury*, 14,372–85. (Comparison between increase apart from exchange and increased loss due to exchange, *see* EXPENDITURE, 2, 1.) Increase in 1884–5, *ib.*, 14,363–7, 14,408–10. Excess over the estimates caused by the Chitral expedition, *Brackenbury*, 14,395–7. The increase in ordinary Military expenditure during the last 10 years has been about 30 lakhs, *Brackenbury*, 14,403–7–19.

Increased cost due to increased strength, *Waterfield*, 15,159–64.

Expenditure on Frontier Expeditions. *See* EXPEDITIONS.

Military Expenditure as bearing on the relations between the Military and Financial Members. *See* GOVERNMENT OF INDIA, 6.

2 a. HEADS OF MILITARY EXPENDITURE.

The Indian Army Establishments are divided into 20 grants, the two largest being Nos. III. "Regimental Pay, &c." and IV. "Commissariat."

Increase or decrease of expenditure in the two periods 1875–6 to 1883–4 and 1884–5 to 1893–4 under the following heads:—

Grant I. Army and Garrison Staff, *Collen*, 4877–84, 4999–500.

,, II. Administrative Staff, *ib.*, 4885, 5008–11.

,, III. Regimental Pay and Allowances, *ib.*, 4964–87, 5091–184. (*See* APP. 18, p. 187, Vol. II., First Report.) (*See Jacob*, 15,095–114.)

,, IV. Commissariat Establishments, *Collen*, 4988–94, 5112–92. (*See* APP. 18, p. 187, Vol. II., First Report.)

Reasons for increase, *Jacob*, 15,115–25, in the case of Native troops, *Jacob*, 15,126–31, decrease of forage and provisions, *ib.*, 15,132–50, local supply of malt liquor, *ib.*, 15,151–2.

Grant V. Remount and Veterinary Department, *Collen*, 4886–90, 5012–6. (Detailed charges, 1884–5 and 1893–4, *Waterfield*, 15,042–5. Increased prices, *ib.*, 15,046–8.)
,, VI. Clothing Establishments, *Collen*, 4891–7, 5017–26. (*See* APP. 18, p. 190, Vol. II., First Report.) Details, *Waterfield*, 15,054–8 and *Jacob*, 15,153–8.
,, VII. Barrack Establishments, *Collen*, 4898–900, 5027–30. (*See Waterfield*, 15,059.)
,, VIII. Administration of Martial Law, *Collen*, 4900, 5051–9. (*See Waterfield*, 15,060.)
,, IX. Medical Establishments, *Collen*, 4901, 5040–6. (*See Jacob*, 15,064–5.)
,, X. Ordnance Establishments, *Collen*, 4912–26, 5069–70, 5047–64. (*See Jacob*, 15,080–8.) (Question of the inclusion in the cost to India of ordnance stores of interest on the capital invested in the ordnance factories. *See* APP. No. 85, p. 374, Vol. III.)
,, XI. Ecclesiastical, *Collen*, 4927, 5074.
,, XII. Education, *ib.*, 4928, 5074.
,, XIII. Sea Transport, *ib.*, 4929–31, 5075.
,, XIV. Miscellaneous Services, *ib.*, 4933–8, 5932, 5076–7.
,, XV. Volunteer Corps, *ib.*, 4939–40, 5078–80.

Non-Effective Services—
Grant XVI. Rewards for Military Services, *ib.*, 4941–3, 5081–2.
,, XVII. Military Pensions to Europeans, *ib.*, 4944–6, 5083–5. (Pensions payable in India, Officers, *Jacob*, 15,089.)
,, XVIII. Military Pensions to Natives, *Collen*, 4947–60, 5086–8. (*See Jacob*, 15,090–3.)
,, XIX. Widows' Pensions, Compassionate Allowances, *ib.*, 4961, 5089.
,, XX. Departmental Pensions, *ib.*, 4962–3, 5090–2.

2 b. MILITARY EXPENDITURE IN ENGLAND.

The whole military and civil expenditure in England has increased by 3,000,000*l.* since 1875, *Jacob*, 5431–42, of which the Military portion is about 1,000,000*l.* (*see* APP. 9). Military charges recoverable from India, *see* APP. 50, p. 376, Vol. II., First Report, and APP. No. 75, p. 358, Vol. III.

i. *Army Effective Charges.*

Payments to War Office have increased by 430,000*l.*; this is due partly to an increase in the British Army in India, and partly to the enhanced capitation rate, and partly to deferred pay, *Jacob*, 5442–3. Variations in the transport charges, this charge is not likely to increase, *Collen and Jacob*, 5465–74. Other effective charges, *Jacob*, 5475–86. The increase in furlough pay, *Jacob*, 5487–90. Low charge in 1875–6, *Waterfield*, 15,171.

Home charges, *see* APP. 51, p. 378, Vol. II., First Report.

ii. *Army Non-Effective Charges.*

Division of charges into those for officers and men, *Waterfield*, 15,188–99.

This head is divided into two sub-heads, British and Indian, *Jacob*, 5491–5. Up to 1885 India paid a capitalised charge for each pension, but after 1885 she paid her share of the actual pension charge actuarially calculated, each year, *Jacob*, 5496–512, 5672–82; thus the charge was for the time very much reduced, *Waterfield*, 12,223–6, *Jacob*, 5641. *See also Knox*, 12,883–924. Decrease due to short service, *Waterfield*, 15,200–20. Fluctuations of the charge on India, *Knox*, 12,925. Maximum payments under the old and new systems, *Knox*, 12,925–53. Saving to India from short service even after deducting the charge for trooping and charge for deferred pay, *Knox*, 12,954–70.

No comparison can be made with the expenditure of previous years, *Jacob*, 5639–84. Under the Indian sub-head the increase is due to increased number of pensioners, *Collen*, 5512–9. The charge for colonels' allowances is expected to decrease after 1895, *Collen*, 5526; *Jacob*, 10,712–5. The maximum charge for pensions in general will be reached in 1901, *Collen*, 5527–30. One cause of the general increase has been the increased rate of pensions granted to Staff Corps and Artillery and Engineer Officers, *Jacob*, 10,716. Medical pensions have also increased, *Jacob*, 10,717. Officers' pensions, *Knox*, 12,989–13,003. Increase of pensions under the Henley Clause of the Act for the better government of India, *Waterfield*, 15,172*a*–185.

(*See also* APP. 24 and 59, pp. 221 and 337, Vol. II., First Report.)

iii. *Stores.*

More stores purchased locally than formerly, *Jacob*, 5530–1; consequently the growth of the charge for stores from England has been reduced, *Collen*, 5533. 5537, 5542. Charge for clothing, *Jacob*, 5532–5. Decreased charge for ordnance and miscellaneous stores, due to local supply, *Jacob*, 5536–7. Heavy charges in certain years due to changes in equipment, *Collen*, 5537–8. Decreased charge for other stores due to local purchase, *Collen and Jacob*, 5539–41. Stores for Special Operations, *Collen and Jacob*, 5542–56.

iv. *Exchange.*

The British soldier's pay is reckoned in sterling; since 1883–4 he has been paid at the official rate of exchange, *Jacob*, 5557–61, *Collen*, 5685–90. Method of fixing the rate of conversion of soldiers' pay, *Brackenbury*, 14,386–94.

Amount of exchange compensation paid to officers since 1893–4 and 1895–6, *Collen and Jacob*, 5584.

The privilege of remitting money home at official rates ceased when the exchange compensation allowance was granted, *Collen and Jacob*, 5693–702.

3. THE APPORTIONMENT OF MILITARY CHARGES.

(*See* Appendix 45, p. 261, Vol. II., First Report.)

It is imperative that these charges should be determined, *Northbrook*, 14,257.

India should in principle pay for every charge connected with the army and defence, and she really has a good bargain, *Wolseley*, 131,309–11, 13,186–246.

The Government of India consider that the advantage to England of the possession of India should be taken into consideration, *Collen*, 5768.

Each country should pay for her own defence, *Roberts*, 15,665. India should pay for the native army required for the maintenance of public peace, but England should contribute a share for that of the European army, *Banerjea*, 19,432–8. The fair charge against India for men actually supplied should be calculated, then the circumstances of India should be considered with a view to abatement, *Lansdowne*, 15,949–54, consideration should be given to the dependence of Indian Foreign policy on Imperial circumstances, the Imperial purposes of the Indian Army, rather than technical and necessarily restricted pleas, *Lansdowne*, 15,975–82.

Proposed substitution of an increased payment for the Navy for the detailed payments for the Army, *Brackenbury*, 14,828–30, value of such a proposal, *Lansdowne*, 15,986–94; *Ripon*, 16,325–6. Generally speaking, India pays England for everything for which England would not pay did not Indian requirements exist; this is wrong, because India keeps up a powerful field army in addition to her garrison, *Brackenbury*, 14,875–85, because of political considerations, *ib.*, 14,794–9, because of the Imperial value of India, *ib.*, 14,886–95. India is poor and should be dealt generously with by the country arbitrarily governing her, *Brackenbury*, 14,800–26. Drafts sent out in excess of Indian requirements, *Brackenbury*, 14,854–74. The Indian Army is not greater than is required, *Ripon*, 16,327–34.

In settling the accounts of the two countries equitable consideration should be given to India, *Ripon*, 16,418–29. As regards details the finding of the Northbrook Committee should be accepted, *Northbrook*, 14,295. Settlement of disputed points by submission to a judge, *Northbrook*, 14,305–12, *and see also* paragraph *c.* of this heading (*Cost of Expeditions, &c.*)

a. *The Capitation Rate* for each man of all arms supplied to India has been 4*l.* 12*s.* 6*d.*, 5*l.* 12*s.* 6*d.*, and is at present 7*l.* 10*l.*, *Jacob*, 5444–50, 5451–6. The present rate of 7*l.* 10*s.*, settled by Lord Northbrook's Commission, is excessive in the opinion of the Government of India, *Collen*, 5710–9, but *see Northbrook*, 14,269 *et seq.* Charges included in the rate, *Collen*, 5720–2. Question of the permanency of this charge, which is a fair one to India, *Northbrook*, 14,267, 14,313–8. Limits of the work of Lord Northbrook's Commission, *Northbrook*, 14,267–71. Changes in the rate since the assumption by the

Crown, *Collen*, 5731–5, *Jacob*, 5444–56. History of the charge, *Northbrook*, 14,258–63; *Knox*, 12,616–65. Burden on the Military Home charges caused by the various rates, *Jacob*, 5457–65. The various committees that have considered the question, *Collen*, 5748–66.

Force required in England to fulfil the requirements of India, estimated total charge to the British Exchequer (1,100,000*l.*), *Knox*, 12,736–41. This would be saved if establishments maintained solely for Indian purposes were dispensed with; the 7*l.* 10*s.* capitation rate brings in about 600,000*l.*, *Knox*, 12,742–6, *but see Northbrook*, 14,296–300, 14,340–53, *see also Wolseley*, 13,247–94. The force in India is quite supernumerary to that required by England, and no part of it would be retained by England if India dispensed with it, *Lansdowne*, 15,996–16,015, 16,023–8. If it were not for the numbers required by India, England could get a better class of recruits at a lesser rate, *Wolseley*, 13,120–4. If India did not belong to England, any saving that might accrue from reduction of recruiting would be shared between the two Governments; therefore, India should only be charged with half the present cost of recruiting, *Waterfield*, 15,403–6. If India were a foreign power that would necessitate a large British naval force being stationed there, *Waterfield*, 15,407–15.

Sir R. Knox's figures and those on which the 7*l.* 10*s.* rate was based, *Northbrook*, 14,333–9. Extraordinary items of charge included in the 10*l.* rates, *Knox*, 12,520–32. Difficulty of comparison, *Knox*, 12,539–45. Recommendations of the Bouverie Committee, *Knox*, 12,642–5. Items of charge included in this rate, *Knox*, 12,520–8. Calculations by which the present rate was arrived at; a settlement as to its duration is desirable, *Knox*, 12,691–709, 13,051. It is based on a normal establishment, and the War Office would not consent to the rate if it were to be affected by fluctuations in the course of the year, *Knox*, 12,747–53, *Waterfield*, 15,165–70.

The Government of India objects both to the calculations and to the basis of the calculations, *Collen*, 5767–80; because they consider the system of recruiting to be expensive, *Collen*, 5781–99, 5593–8–605. Any system of having localised regiments in India would be retrograde, *Wolseley*, 13,316–7.

Comparison between the payments from 1834 to 1857 and those of the present day. The Government of India objects to the present payment because no allowance is made for the service of the men before they leave England, *Collen*, 5846–81. Value of the recruits to England, *Knox*, 12,598–603, 13,054–5, *Wolseley*, 13,095, 13,096–109, *Lansdowne*, 15,971–3. The additional strength due to the existence of the Indian Army would only be of use to England in the improbable event of an invasion, *Wolseley*, 13,125–7. The Indian Army might be of assistance to England even in a European campaign, *Roberts*, 15,689, but it must not be looked upon as a reserve for England, *Ripon*, 16,335–8, *see also Northbrook*, 14,278–9. No claim can be made against India on account of the reserve, *Northbrook*, 14,301–4. Rebate allowed to India on account of service in the reserve, *Knox*, 12,666–9. The rebate is unduly large, *Knox*, 13,052–60. Necessity for a reserve in England, *Lansdowne*, 15,966–9. Value of India as a training ground, *Wolseley*, 13,133–5, *Roberts*, 15,656–8, *Lansdowne*, 15,970.

Proposed rate of 5*l.*, *Collen*, 6045–6.

The sufficiency of the British force in India, *Brackenbury*, 14,800–26.

b. Depôt Charges and Training of Recruits.

Difficulty of comparing the past and present system of recruiting, and the cost, *Roberts*, 15,628–33.

The difficulty of meeting India's requirements; the Home Authorities should be the best judges of the necessary methods, *Wolseley*, 13,063–70, *and see ib.*, 13,313–5. Question of exceeding the requirements of India, *Northbrook*, 14,272–3.

The depôt system of the present day is more expensive than one which would suffice for purely Indian wants; under the old Warley system the cost of each man of the Indian establishment was a little over 3*l.*; some of the training might be gone through in India, *Collen*, 5882–922, 6306–9, 6404–15–26. The machinery of recruiting is not more costly than it was, *Lansdowne*, 15,957–8.

Average cost at Warley 30*l.*, *Knox*, 12,554–70. Cost at present time 32*l.* or 33*l.*, which includes improved services and better pay, *Knox*, 12,571–81 The present charge compares favourably with all previous charges, *Knox*, 12,754–5; *Wolseley*, 13,085–9. Comparison of the Warley cost and the present charge, items of both, *Knox*, 12,675–90.

British forces in India at various times, *Knox*, 12,583, 12,604–8. Number of British forces in India before the Mutiny, and how recruited, *Collen*, 6293–8. Training, *Collen*, 6299–305, 6313–4. Numbers after the Mutiny, *Collen*, 6317–27. Present strength, *Collen*, 5700–4. Authority by which it is regulated. *Collen*, 6577–85. India should not make a claim on account of the extra recruits due to that service, *Northbrook*, 14,274–7.

The advantages of the linked battalion system, *Collen*, 6416–22, 6457–72, 6433–5.

The average training before going out is about 18 months, and the age at the time of recruitment about 18 years, *Wolseley*, 13,086–94, *Knox*, 12,597–8, 12,788–90. Whilst the average man receives from one to two years' training, India is only charged for six months, *Collen*, 6396–403; *Knox*, 12,666–9. But the recruiting is not especially for India, *Waterfield*, 15,377–82.

The supply of cavalry from the Canterbury depôt, *Collen*, 6429–35, question as to whether the depôt is too expensively organised for the needs of India, *Collen*, 6435–45 Nominal cost of each cavalry man, *Collen*, 6488–92.

Inconvenience of large central cavalry depôts, *Wolseley*, 13,399–406. Possible cheaper organisation of the horse artillery depôt, *Collen*, 6451–5. Present system of training cavalry and artillery recruits. *Knox*, 12,710–2.

True inclusive cost of each infantryman, 33*l.*, cavalryman, 71*l.* 11*s.*, field artilleryman, 81*l.* 3*s.*, and horse artilleryman, 84*l.* 12*s.*, or 44*l.* for each man of all arms, *Knox*, 12,821–6.

Before the Mutiny each regiment in India had its depôt at home, and the whole actual cost was charged to India, *Knox*, 12,546–53. Average cost 8*l.* per man, *Knox*, 12,533–8. Difficulty of comparison with present charge, *Waterfield*, 15,236–73. The War Office considers the depôt charges liberal to India, *Knox*, 12,793–4. Indian service is not distasteful, *Knox*, 12,791–2.

The results of the present system are better than those of the former system, *Wolseley*, 13,071–83. The object is to send out a seasoned soldier ready to take the field, *Wolseley*, 13,084.

c. Heads of Charge to which objection is taken by the Government of India.

I. Charges for men who desert or die before embarkation—this charge should be covered by the capitation rate, *Collen*, 5925–35.

II. Maintenance of young officers previous to embarkation, *Collen*, 5936–53.

III. Training of young officers of Royal Engineers for service in India, *Collen*, 5954–64. (The value of their service to England, *Knox*, 12,857–77.)

IV. Veterinary surgeons in training for India, *Collen*, 5968–70.

Allowance should be made for service in England in the above three cases.

V. Examination for the Indian Medical Service; this charge is only an estimate, but is too high, *Collen*, 5971–2.

VI. Chelsea and Kilmainham hospitals; the charge was formerly regarded as the basis of a fair claim against India; but when the 3*l.* 10*s.* capitation rate was fixed the War Office did not press the claim, the Treasury, however, decided to press the claim, now the balance of Indian prize money is regarded as a fair off-set. Subsequent attempted arrangements, *Knox*, 13,030–48. The balance of Indian prize money was taken as though it belonged entirely to the British Government, *Waterfield*, 15,393–402. (*See* APP. 50, 52, and 53, Vol. II., First Report.)

VII. Educational establishments: a great number of Indian officers never passed through Sandhurst at all, India formerly maintained its own establishments: many Staff College officers do not spend all their subsequent time in India. *Collen*, 5973–94.

Objection to the charge for Netley Hospital and to the School of Gunnery, the School of Military Engineering, and the Artillery College, *Collen*, 5995–6014.

VIII. Charge for men awaiting discharge, &c., the period of detention is longer than is necessary,

Collen, 6016–22. It is not the arithmetical data, but the principles on which they are founded, which are objected to, *ib.*, 6024–40.

IX. Rebate on men returning from India, the allowance is inadequate, *Collen*, 6041–4, 6093–116; India pays the full value for services received, *Waterfield*, 15,385–9.

Question of soldiers' and officers' pensions, *Northbrook*, 14,290–91.

d. *Deferred Pay.*

Reason for introducing deferred pay, extra burden of 200,000*l.* a year on India, *Knox*, 12,726–9.

The maximum burden was estimated to be about 165,000*l.* or 220,000*l.*, the charge in 1895 was 230,000*l.*, *Collen*, 6049–74.

e. *Cost of Expeditions, Loan of Troops, &c.*

Terms upon which troops have been or should be lent to England, instances of Malta and Egypt and Abyssinia; cases in which India should pay her share, *Collen*, 6117–50, *see also Northbrook*, 14,251–3. Except in the case of actual or threatened invasion, the revenues of India should not be used beyond the frontiers of India, *Gokhale*, 18,015–7, *Wacha*, 17,821. Actual payments made both by England and India, *Waterfield*, 15,354–70. Apportionment of the expenses of the Perak Expedition, and of the Mutiny, *Waterfield*, 15,322–3, 15,338–40, 15,506–14. Necessity of sanction of Parliament for payment of these charges, *Waterfield*, 15,515–23. The propriety of the charge in the case of the Abyssinian War, *Northbrook*, 14,114–20, and of the Perak Expedition, *ib.*, 14,121–3, and the Egyptian Expedition, *ib.*, 14,124–41. Repayments that should be made to India, *Northbrook*, 14,166. Comparison of the treatment of India in the case of the Mutiny with cases where England borrows troops, *Knox*, 12,765–87; *Wolseley*, 13,183–5. Indian Contingent sent to Egypt in 1882, *Waterfield*, 15,499–503. There is a want of reciprocity, but no opportunity for reciprocity has occurred for 40 years, *Waterfield*, 15,324–37. In the case of troops lent by India no charge is made for training, *Waterfield*, 15,344–53.

Some definite terms should be decided on which troops should be lent by one country to the other, *Lansdowne*, 16,029; the expense of the employment of Indian troops should be borne by the British Exchequer, except where the objects of the expedition are common to both countries, *Naoroji*, 17,072–4. The question of the interest of India should be referred to an arbitrator unconnected either with the War Office or India Office, *Roberts*, 15,690–707, *see also Ripon*, 16,349–53. Expeditions in which India might be said to be interested, *Roberts*, 15,777–90. Primary payments might be made within fixed areas by the English and India Exchequers respectively, *Northbrook*, 14,228–35, but subject to general definitions and statutory powers, the country lending troops should be the one to decide whether its interests are concerned, *Northbrook*, 14,249–50, 14,167–89, *but see Lansdowne*, 16,086–3. This arrangement could not be made by an Act of Parliament, *Northbrook*, 14,190–203. Arbitration should settle the point, *Lansdowne*, 16,030–9, 16,088–95; *Ripon*, 16,354–70, 16,430–57. Constitution and powers of a proposed Commission of arbitrators, *Lansdowne*, 16,079, 16,035–47–68. Preference for independent arbitration rather than a judicial committee, *Ripon*, 16,445, 16,458–60, 16,548–98, *and Northbrook*, 14,238–40, 14,241–4. Differences regarding administrative charges might be more easily referred to legal arbitration, *Lansdowne*, 16,099–102. Question of the refusal to lend troops, *Northbrook*, 14,204–21.

f. *Specific Complaints of the Government of India.*

The expense to which the Government of India is put by the changes of organisation at the War Office, from which they reap no benefit, *Collen*, 5808–37. For instance, the abolition of purchase, *Collen*, 5841–4. Actual effect of the abolition of purchase on India, *Knox*, 12,713–25. The necessity for the abolition, *Knox*, 12,971–88, *Wolseley*, 13,295–308. The abolition was to the interest both of England and India, *Lansdowne*, 15,974. Consultations of the wishes of the Government of India, *Wolseley*, 13,323–54, *Knox*, 13,004–24, *Collen*, 6565–8, *Lansdowne*, 16,104–8.

Charges laid upon India by petty changes in organization, *Ripon*, 16,400–17. System of purchase in the old local army, *Waterfield*, 15,227–35. Reference to the India Office is sufficient as far as the War Office is concerned. India must pay her share of the increased cost due to progress of military science, *Roberts*, 15,669–88, *see Northbrook*, 14,292–4. India should at least be consulted in time to make the necessary alterations in the estimates, *Brackenbury*, 14,588–67–90. The fact that the Government of India is not consulted constitutes another claim for favourable consideration, *Ripon*, 16,400–17. The Indian Government have no control over the organisation of Queen's troops, and they cannot refuse to pay under the Queen's Regulations, *Northbrook*, 14,103–6.

MILITARY MEMBER OF THE COUNCIL OF THE GOVERNOR-GENERAL, THE.

He roughly corresponds to the Secretary of State for War in England; the relative positions of the Military Member and the Commander-in-Chief, the former cannot overrule the latter without reference to the Governor-General, *Newmarch*, 1158–66. *See also Collen*, 3329–35, and *Colvin*, 3228–34. The Commander-in-Chief may appeal to the Viceroy against the Military Member's decision, *Brackenbury*, 14,514–16. His position is generally analogous to that of the old Secretary at War, *Roberts*, 15,546; *Brackenbury*, 11,440–8.

The Military Member is the Military Financial Officer, and is the adviser of the Viceroy, the Commander-in-Chief is the executive Military Officer of the Government, *Newmarch*, 1158–66; *Collen*, 3329–35. Limitations on the powers of the Military Member, *Brackenbury*, 14,495–6. His powers are limited with respect of transfers from one head of the Budget to another, *Brackenbury*, 14,411–40. He acts as a check on the Commander-in-Chief, *Cromer*, 13,563–70; *Colvin*, 3228–35; *Roberts*, 15,547. His control over expenditure is generally limited to questions of organisation; his influence, and that of the Commander-in-Chief, was opposed to expeditions, *Brackenbury*, 14,528–37.

He is invariably, *Collen*, 3560–1, and always should be, a Military officer, *Collen*, 3647; *Brackenbury*, 14,495–6; because, in the frequent absence of the Commander-in-Chief, there should be a soldier in the Council, *Roberts*, 15,791–5; *Lansdowne*, 15,923–34. It is his especial duty to check expenditure, *Collen*, 3623–32. Though his instincts are probably rather Military than Financial, his opinion is usually a valuable one from the Financial point of view, *Collen*, 3615. He has power to record a dissent, *Brackenbury*, 14,493–4.

The check on Military expenditure, though always strict, has of late years become more severe; this has caused more concentration of power in the hands of the Military Member, *Collen*, 2305–11. He has more complete financial information than formerly, *Collen*, 3312–28.

Possible preponderance of the Military element in Council. *See* GOVERNMENT OF INDIA, 6.

MILITARY POLICE. *See* POLICE.

MILITARY RAILWAYS. *See* RAILWAYS, A. 2.

MILITARY SECRETARY, THE.

He is the officer responsible for laying the business of the Department before the Military Member and the Governor-General; with such financial reports as he thinks necessary, *Collen*, 3339–41. It is his especial duty to promote economy consistently with efficiency, *Collen*, 3596–9, 3634–5.

MILITARY WORKS DEPARTMENT.

Carries out Military works, including special defence works, under the control of the Military Department, *Becher*, 1543–4.

Military works having only been transferred of recent years from the Public Works Department, for convenience sake the accounts continue to be rendered through that department, and the estimate, though prepared by the Director-General of Military Works, is included in the Public Works estimate, *Becher*, 1543–52, 1674–1711; *Waterfield*, 343–48.

MINT.

Some of the functions of the Comptroller-General correspond to those of the Deputy Master of the Mint in England, *Waterfield*, 74–92.

Mints at Calcutta and Bombay are subordinate to the Comptroller-General and the Finance Department, *Jacob*, 10,592–8. Copper is the only metal now

bought, *Jacob*, 10,596-603, and is the only source of receipt, *ib.*, 10,604-7. Net receipts 1875-6, Rx. 83, 1893-4 Rx. 136,275, *Jacob*, 10,610. Total charge 1896-7, Rx. 53,000, 1893-4, Rx. 91,000; the closing of the mints for coining silver has been followed by a reduction of establishments, *Jacob*, 10,611-3, 10,618-22. Actual charge for establishments, 1893-4, Rx. 54,000, *Jacob*, 10,614-7. Coins sent to England to be assayed, *Jacob*, 10,608-9.

Native State coinage is not legal tender outside the States, *Jacob*, 10,628-35.

MISCELLANEOUS EXPENDITURE.

Heads of charge, *Jacob*, 10,581-4. Charges and receipts 1893-4 and 1884-5, *Jacob*, 10,585-8, 10,589-90. Increase, *Wacha*, 17,705.

MORGAN-BROWNE, MR. H.

Formerly Secretary of the British Committee of the Indian National Congress. Analysis of Evidence, *see* p. xxxiii., and Evidence, p. 1, Vol. III.

MORTALITY OF TROOPS IN INDIA. *See* HEALTH OF BRITISH TROOPS, &c.

MUIR, SIR WILLIAM. *See Colvin*, 3183-5.

MUNICIPALITIES. *See* LOCAL SELF-GOVERNMENT.

NAOROJI, MR. DADABHAI. A Member of the Royal Commission. Evidence p. 149, and analysis of evidence p. 1, Vol. III.

NATIVES, EMPLOYMENT OF.

The Question of the employment of Natives in various capacities.

The administration is not conducted in accordance with the principles of the Act of 1833 and the Queen's proclamation of 1858, which conferred on natives of India claim to a full share in the administration of their own revenues, *Naoroji*, 16,499. Costliness of British Administration, *ib.*, 16,502-4, remedies suggested, replacement of alien by native labour, and share of the cost of foreign labour (necessary for the maintenance of British rule) by the British Government, *ib.*, 16,505, *see also Wacha*, 17,819; the 18 or 20 millions Rx. paid to Europeans are a dead loss to India, *Naoroji*, 16,505-27. Natives are excluded from the greater administrative offices, *ib.*, 16,529-35, *see also Gokhale*, 18,331-2. The extent of the employment of natives depends upon the extent to which they qualify themselves; the growth of the admission of natives has increased in greater proportion than the growth of the departments, *Jacob*, 20,143-68. The proportion of natives in the highest executive and judical posts must not exceed one-sixth, *Jacob*, 20,169-70. If India were allowed to keep her own resources, she would be quite able to raise the money necessary for as great comparative efficiency as in England, *ib.*, 16,536-59. There should only be an irreducible minimum of Europeans in India for the maintenance of British rule, *ib.*, 15,566, and England should contribute towards the cost of this minimum, *Gokhale*, 18,508-29, *Wacha*, 17,821. The salaries of the European railway officials are a heavy drain on India, *Wacha*, 17,580-2. Salaries of Europeans and Natives, *ib.*, 16,594-637, *see also Banerjea*, 19,415-20, 19,421-47, *see also Jacob*, 20,132-42. Native rule in Mysore, *ib.*, 16,567-74. The benefits of a number of small and well governed native states, *ib.*, 17,039-55.

History of the question of extended employment of natives, *Banerjea*, 19,320; recommendations of the Public Service Commission, *ib.*, 19,320-24-41.

Full effect to the orders of the Government of India in the direction of giving employment to natives can only be gradually given, *Jacob*, 20,054.

Employment in the Executive and Judicial Departments, *Jacob*, 20,055-107. Forest Department, *Banerjea*, 19,349-65, *Jacob*, 20,110. Education, *Banerjea*, 19,366-72, 19,373-408, *Jacob*, 20,123-5. Opium Department, *Jacob*, 20,108-10. Survey Department, *Banerjea*, 19,409; *Jacob*, 20,130. Telegraph Department, *Banerjea*, 19,410; *Jacob*, 20,129. Post office, *Banerjea*, 19,411-3; *Jacob*, 20,112. Civil service, *Banerjea*, 19,414. Financial Departments, *Jacob*, 20,113-21. Public Works Department, *Gokhale*, 18,333-50; *Jacob*, 20,126. Public Works accounts, *Jacob*, 20,127-8. Police, *Wacha*, 17,674-89; *Barbour*, 2293-2317; *Jacob*, 20,122. Minor departments, *Jacob*, 23,131.

And see also Becher, 1642-8; *Jacob*, 4551-72, 8161-202, 10,718-33, 10,966-11,003; *Waterfield*, 1019-25, 2638-49, 12,023-34.

The admittance of Natives to the Military and Naval Services.

Colvin, 6668-72; *Hext*, 7130-41, 7144-92; *Kennedy and Cuming*, 8365-710; *Naoroji*, 17,020-38.

Proportion and comparison of Native and European troops. *See* MILITARY FINANCE, 2.

Proportion of Natives and Europeans in the Civil Service, *Waterfield*, 14,955-62.

NATIVES OF INDIA.

Evidence given by Indian native gentlemen. *See* BANERJEA, GOKHALE, NAOROJI, and WACHA.

The influence of the Indian taxpayer can be brought to bear on expenditure through the non-official members of the Legislative Council and through the Press, *Brackenbury*, 14,675-86. *See also* LEGISLATIVE COUNCIL. Share taken by Natives in the Government of India, *Collen*, 6577-617, 6714. Contribution of native capital towards the construction of lines in India, *Jacob*, 8179-89, 8203-7. The value and importance of Native criticisms expressed in the Legislative Council and through the Press, *Ripon*, 16,468-74.

Average income of the Indian taxpayer, *Wacha*, 17,808-15.

NATIVE STATES.

Loans to, *Jacob*, 7402.

NAVAL SERVICES.

A. THE ROYAL INDIAN MARINE.

B. ROYAL NAVY SHIPS IN INDIAN WATERS

A.—THE ROYAL INDIAN MARINE.

1. *History of the Service.*

Former heads of the Department, *Hext*, 6768-74, 6777-8. The old Indian navy was subordinate rather to the Government of Bombay than the Government of India, *Hext*, 6772-4; its duties were the police duties of the Indian seas, *Hext*, 6922, 6951-8, 6959-64-8; it assisted in the New Zealand and China wars, *Hext*, 6923-6. Its duties on the high seas were comparatively, if not entirely, nil, *Hext*, 9267-78. Definition of its duties by Sir Charles Wood, *Kennedy and Cuming*, 8236, *Waterfield*, 15,469-75. The two services, the Bengal and Bombay Marines, replaced the old Indian navy, and, being amalgamated, formed the present Royal Indian Marine, *Hext*, 6775-6. Relative duties of the Royal and Indian Navies, *Waterfield*, 15,435-45.

2. *Duties and Administration.*

Appointment, &c., of the Director, and position, *Hext*, 6759-67. The duties and discipline of the Marine are regulated by the Act of 1884, *Hext*, 6772, 6776, 6999-7004, 6789, 7106. Its main duty at present is home transport; possible economy if difficulty as to status, which prevents its carrying troops to and from England, were overcome, *Kennedy and Cuming*, 8639-54. Headquarters at Bombay, *Hext*, 6780-1. Distribution of vessels, *Hext*, 6782-8.

3. *Expenditure.*

Indian Marine Budget; estimate greatly affected by recoveries on account of stores supplied to other departments, *Hext*, 5816-73.

"Accounts and Estimates of the Royal Indian Marine," *see* APP. 60 and 61, pp. 383 and 389, Vol. II., First Report.

B.—ROYAL NAVY SHIPS IN INDIAN WATERS (*see* APP. 46 and 47, pp. 309 and 359, Vol. II., First Report).

Non-effective charges and cost of Repairs, *see* APP. 50 and 62, pp. 377 and 390 respectively, Vol. II., First Report.

Four of the eight ships of the East Indian squadron are kept in Indian waters, for which India pays 100,000*l.* a year, besides this, India pays 60,000*l.* for the crews of a defence squadron provided by India herself, *Hext*, 6878-86; *Kennedy and Cuming*, 6247-53. The Admiralty maintains that the subsidy does not cover the cost, *Kennedy and Cuming*, 8254-9; *Hext*, 9588. Method of computing the charge, *ib.*, 8260. The charge on India for repairs to the "Sphinx," built for Persian Gulf service, *Kennedy and Cuming*, 8261-6. *See Hext*, 9308-21, 9496-7-503. Distribution of these ships, *Kennedy and Cuming*, 8341-2. Number of men, *ib.*, 8306-7. Part of the defence squadron is kept in reserve, *Hext*, 6887-90. The defence of India is conducted on the same lines as that of England, viz., by the defence of ports by batteries and flotillas, and by

the Royal Navy, *Kennedy and Cuming*, 8275–83. Constitution and organisation of the defence flotilla, *Kennedy and Cuming*, 8390*a*–5.

The Admiralty undertook the duties of the Indian Navy (on its abolition) except in the Persian Gulf, without charge, *Hext*, 6976–80. Reasons for undertaking these duties and making no charge, *Kennedy and Cuming*, 8285–6. The taking over of the duties did not for all time preclude the Admiralty from being assisted with the cost, *ib.*, 8711–6. *But see Hext*, 9322–7, 9409–10.

Financially India has benefitted, *Kennedy and Cuming*, 8286–74, 8430. Probable cost to India had the old Indian Navy been continued, *Kennedy and Cuming*, 8418–25; *Hext*, 6910–8, 9411–7. The whole Indian effective expenditure on the Royal Indian Marine and subsidies amounts to about Rx. 490,000, *Hext*, 6908.

On a request for a more efficient service in 1869, India paid a subsidy of 70,000*l.* for six ships, to perform all duties except those in the Persian Gulf, calculated at 70*l.* per man, *Hext*, 6976–95, 9599–605, 9339–44, 9580–3; to act as maritime police, and for the repression of piracy and the local slave trade, *Waterfield*, 15,452, *Kennedy and Cuming*, 8284–305.

The Royal Indian Marine steamer "Lawrence" was built for service in the Gulf, *Hext*, 6996–7013. Later the force was reduced to four ships, and the subsidy to 38,500*l.* on the same basis, *Kennedy and Cuming*, 8308–13.

Superiority of the present four ships, *Kennedy and Cuming*, 8314–5, 8361–2. Neither the Treasury nor the Admiralty considered the subsidy sufficient, *Kennedy and Cuming*, 8308–13, 8358–9, 8313–20. Then arose a discussion, leading to the Foreign Office Conference, *Hext*, 7014–5, which failed to settle the question, *Hext*, 7015–26, 7045–8. No mutual agreement could be arrived at as to the meaning of "Indian Purposes," *Kennedy and Cuming*, 8324–7, 9527. Actual decision arrived at by the Conference, *Kennedy and Cuming*, 8321–3, 8334–40. The Government of India consider that three Royal Navy gunboats are sufficient for "Indian Purposes"; the Admiralty thought larger vessels necessary, *Hext*, 7122–9, 7158–82; *Kennedy and Cuming*, 8328–33, 8353–8, 8363–75, 8717; *Hext*, 9286–9; and that they are the best judges of the requirements of "Indian Purposes," *Kennedy and Cuming*, 8576–85; *but see Hext*, 9374–6. The question was subsequently referred to Lord Rosebery, whose award decided the principle on which the present subsidy of 100,000*l.* is based, defining the words "Indian Purposes" as the general protection of trade on the high seas, *Hext*, 9036, 9519; *Kennedy and Cuming*, 8375, 8589–90.

The Government of India contend that they are more hardly dealt with by the terms of the award than the Australian Colonies, *Hext*, 7032–7, 9377–97, 9398–401.

Comparison of the Australian and Indian cases; no analogy exists, *Kennedy and Cuming*, 8377–90, 8396–403, 8404–9, 8410–2; *but see Hext*, 9561–3, 9584–7.

Expenditure by India on dockyards chiefly for the benefit of Royal Navy ships, on harbour defence ships, crews, and fortifications; India provides its own Survey Department (as compared with Australia, *Hext*, 9401–6), and renders other services to the Royal Navy which should be considered in determining the subsidy, *Hext*, 7048–84, 9481–2, 9544–51; *Collen*, 6744.

The use of the docks by Royal Navy ships, *Kennedy and Cuming*, 8607–17, 8634–8. The arrangements as to docking are reciprocal, but now have become one-sided, *ib.*, 8596–607, 8620; *Hext*, 9484–5; *Waterfield*, 15,417–34. Dock charges, *Kennedy and Cuming*, 8618–26. Comparison of Plymouth and Bombay charges, *ib.*, 1630–1; *Hext*, 9487–93.

The Government of India considers that it pays too much and has insufficient control over the squadron, *Collen*, 6744. The extent to which the ships are at the service of the Government of India, *Kennedy and Cuming*, 8841–60.

India needs a larger fleet than she did between 1832 and 1867, *Kennedy and Cuming*, 8267, the three vessels, considered sufficient by the Government of India, would not be capable of performing the duties, *Kennedy and Cuming*, 8413; *but see Hext*, 9328–32.

Were the "Lawrence" permitted to be armed, she would take the place of the Royal Navy gunboat in the Persian Gulf. *Hext*, 6796–813, 7142–3, 9434–6, 9452–4, 9465–8. In the same way a Royal Navy gunboat could be dispensed with at Aden, *Hext*, 9569–71. Possibility of employing the "Lawrence" if armed, *Kennedy and Cuming*, 8530–9, 8456; but no rebate should be made on her account, *ib.*, 8527–9. Purposes for which the "Lawrence" and "Sphinx" were provided; the former is sufficiently armed for self-defence, *Kennedy and Cuming*, 8460–71, 8480, 8514–5, 8531–3; *Hext*, 9515; *Waterfield*, 15,415–6.

The Royal Indian Marine ships, if armed, could perform all the duties laid down in the Act, *Hext*, 7088–109, 9428–32; *Collen*, 6744–53; *see Kennedy and Cuming*, 8431–55. But they cannot at present undertake the protection of coasting trade and the suppression of piracy, being unarmed, *Hext*, 9274–85, 9427.

The armaments of the Royal Indian Marine ships, *Kennedy and Cuming*, 8473, 8481–3, 8494–6, *Hext*, 9426; Status of the ships if armed, *Kennedy and Cuming*, 8510–5, 8457–60, 8472; *Hext*, 9443–4–57. Admiralty opinion, *Kennedy and Cuming*, 8478–9. The employment of the ships though they are not armed, *ib.*, 8484–93, 8497–8509*a*, 8516–23. Only three of them are troopships, *Hext*, 9438.

Protection afforded to trade by the Royal Naval squadron, *Kennedy and Cuming*, 8683–710, which is an Imperial concern, *Hext*, 9418–24, 9533–43.

The duties of the Persian Gulf should be undertaken by the Admiralty without payment, *Hext*, 7142–3, 7150–7; it must be considered as within Indian waters, *Kennedy and Cuming*, 8343–52; but *see Hext*, 9354–9. The boundaries of the East Indian Station, *Kennedy and Cuming*, 8220–4, beyond which the four ships are not employed, *ib.*, 8561–9. The duties on the high seas are an Imperial concern, *Hext*, 9346.

Aden is of Imperial interest, *Hext*, 9290–6, 9572–9, 9297–307.

Question of the usefulness of the "Marathon," *Hext*, 9347–54; *Kennedy and Cuming*, 8524–6.

Comparison of Royal Indian Marine ships to the subsidised "P. and O." vessels, *Kennedy and Cuming*, 8632–3; *Hext*, 9441; *Waterfield*, 15,468.

The subsidy will be reconsidered in 1901, *Hext*, 9592–8. No change is necessary, *Ripon*, 16,339–48.

India should pay a fair share for the East Indian Squadron, and have a fair share in the benefits of the service, *Naoroji*, 17,062–3.

The employment of Natives and Eurasians in the Royal Indian Marine or Royal Navy, *Hext*, 7130–41, 7144–92, 9606–12; *Kennedy and Cuming*, 8665–710.

NORTHBROOK, THE RT. HON. THE EARL OF, G.C.S.I., &c.

Formerly Governor-General of India, &c. Evidence, p. 13, and Analysis of Evidence, p. xxxiii, Vol. III. Lord Northbrook's Committee on the Apportionment of Military Charges, *see* MILITARY FINANCE, 3.

NORTH-WEST PROVINCES AND OUDH.

Police expenditure, *Jacob*, 7628–9. Irrigation works. *See* IRRIGATION, 1 and 2.

OPIUM.

The Opium Department is directly under the Government of India in the Finance Department. In Bengal the Government pays a fixed price to a limited number of cultivators, manufactures the opium, and derives its revenue from sale by auction, *Waterfield*, 282. The price paid to the cultivator is settled at the beginning of the year irrespective of the quality of the crop, *Jacob*, 11,051–7. In Bombay it is manufactured in the Native States, and a transit duty is levied. The revenue is wholly Imperial, *Waterfield*, 282–3.

The Financial Member has ample means of learning the causes of variations in Opium Revenue, *Colvin*, 2965–73, and is thus able to make a close estimate, *Barbour*, 2038–43.

Owing to many circumstances the revenue and expenditure in any given year are not very closely connected, *Jacob*, 11,044–50.

Gross revenue and charge 1875–6 and 1893–4, *Jacob*, 11,043. Items of expenditure, *Jacob*, 13,058–61.

No advantage to be gained by transferring the administration from Bengal to the Central Government, *Jacob*, 11,062–7.

ORDNANCE DEPARTMENT, THE.
See ANALYSIS OF EVIDENCE given by COL. WAGE, Vol. I., First Report, p. xxiv.
Expenditure on Ordnance Stores, *see* MILITARY FINANCE, 2 a.
See also APP. 18. p. 189, Vol. II., First Report.

ORISSA CANAL.
Jacob, 8929–30, 8995–9016.

PAPER CURRENCY.
The Comptroller General is the Chief Commissioner of paper currency, *Waterfield*, 76. His staff as such, *Waterfield*, 101.
The investment of the Paper Currency Reserve, *Jacob*, 7388–90. The cost of administration, *Jacob*, 9184.

PARLIAMENT.
Possible means of giving Parliament information on Indian finance, *Barbour*, 2252. The advisability of increased control by Parliament, *Colvin*, 3132–4, 3180. Parliament is a check, in the remote distance, on the financial administration of India, *Barbour*, 1445–9, *Colvin*, 2896–8.

PAY.
Indian Civil Service, *see* PENSIONS, 1.
Judicial officers, *see* LAW AND JUSTICE.
Regimental, *see* APP. 22 and 23, pp. 202 and 208, Vol. II., First Report.
Chaplains, &c., *see* ECCLESIASTICAL.
Native cavalry and infantry, *Collen*, 5427–9.
DEFERRED PAY *see* MILITARY FINANCE, 3 D.

PAYMASTERS, REGIMENTAL. *See* FINANCIAL MACHINERY, B, 2, *b*, vi.

PENSIONS.
Pensions and Superannuation. Increase of charges, *see* APP. 34, p. 230, Vol. II., First Report.
1. CIVIL SERVICES.
Amount, 3,853,000*l*., of which 900,000*l*. is paid in India, *Jacob*, 10,390–1. 4 per cent. is deducted from the pay of an Indian civil servant whilst he serves in India, and a pension of 1,000*l*. a year is given him after 25 years' service, *Jacob*, 10,281–4, 10,372, *see also Waterfield*, 14,952–4. Natives who enter the service by examination are treated in every respect as Europeans, *Jacob*, 10,488–9. The cost of the non-effective service is calculated as 25 per cent. of the cost of an officer's active service, and the Government bears that portion which is not covered by the officer's contribution, *Jacob*, 10,285–24. Comparison of service and pension in the English and Indian Civil Service, *Jacob*, 10,298–324, *Waterfield*, 11,994–12,018. The pension is not increased with service longer than 25 years, *ib.*, 10,325–32. The amount of pension has not acted as an inducement to early retirement, *Jacob*, 10,482–4, 10,496–7. Pensions of uncovenanted officers, *Jacob*, 10,361–71.
Judges' pensions have been increased, while their pay has decreased, *Jacob*, 10,347–9; the relation of their pensions to their salaries, *Jacob*, 10,352–3 (*see* APP. 33, p. 229, Vol. II., First Report). Pensions of other judicial officers, *ib.*, 10,354–60. Military and uncovenanted officers do not contribute to their pension, *Jacob*, 10,490–5. In addition to the Indian Civil Service Judges of the High Court, certain Judicial Officers, Military men in Civil employ, and chaplains receive pensions in sterling, *ib.*, 10,346. Chaplains' pensions, *ib.*, 10,375. Pensions of Engineers, *ib.*, 10,376.
The increase in the net charge due to increase of staff, *Jacob*, 10,305–401. The increase is in proportion to the increase in numbers, *ib.*, 10,410–7. The increase in the English net charge, *Jacob*, 10,419–20, 10,421. The gross charges have not increased in the same proportion as the net charges, *Jacob*, 10,422–30, 10,441–7. The increase in pensions other than family pensions, *Jacob*, 10,440–64. Pensions formerly chargeable to the Annuity Funds, *Jacob*, 10,441–6. *See also Funds Department.* INDIA OFFICE. Proportion of non-effective to effective charges, *see* APP. 32, p. 228, Vol. II., First Report.
2. MILITARY.
Expenditure on military pensions, *see* MILITARY FINANCE, 2 a; in England, *see* MILITARY FINANCE, 2, b, ii.
Details of military pension charges, *Jacob*, 10,481 (*see also* APP. 24, p. 221, Vol II., First Report).
Permanent and temporary pensions, warrant officers, non-commissioned officers and men, *see* APP. 59, p. 387, Vol. II., First Report.
3. TERRITORIAL AND POLITICAL PENSIONS.
Enumeration, for the most part they are purely personal, *Jacob*, 10,191–2, and nearly all are gradually expiring, *ib.*, 10,193–4, 10,196. Decrease since 1875–6, *Jacob*, 10,195. Pensions that have fallen through, *ib.*, 10,197. Pensions on account of Burma, *ib.*, 10,205–7. Pensions payable in England. *ib.*, 10,208–13.

PERAK EXPEDITION.
Waterfield, 15,322–3, 15,396–14, *Northbrook*, 14,121–3.

PERSIA, DIPLOMATIC CHARGES IN.
Apportionment of charges in 1891. Contributions of England and India, *Waterfield*, 12,398–414. *See* APP. 65, p. 403, Vol. II., First Report. India pays more than half, *Waterfield*, 14,986–9. Charges should be borne wholly by England, *Wacha*, 17,821.

PILOTAGE. *See* MARINE CHARGES.

POLICE AND JAILS.
1. ADMINISTRATION OF POLICE AND JAILS.
Except in Upper Burma and the smaller provinces, the charge for and the administration of the police is provincial, *Jacob*, 7654–61.
Each Provincial Government has power to charge a district with the cost of special police, *Jacob*, 7690–2.
The rates of pay are not the same in all provinces; they are controlled by the central Government, *Jacob*, 7695–8.
Police force, former and present, *see* APP. 17, p. 186. Vol. II., First Report.
2. EXPENDITURE ON JAILS.
Expenditure on jails, 1875–6, Rx. 826,304; 1895–6, Rx. 924,000, *Jacob*, 4688. Receipts, Rx. 36,000, *ib.*, 4688–94. The average cost of each prisoner has increased, chiefly in the central jails, *ib.*, 4695–701. Death rate, *ib.*, 4781–2.
3. EXPENDITURE ON POLICE.
The increase of expenditure on police from 1875–6 to 1893–4 has been Rx. 1,446,000, and receipts Rx. 182,795, nearly 50 per cent. of the increase being due to the acquisition of Upper Burma, *Jacob*, 7601–2. Receipts in 1875–6 and 1896–7, *Jacob*, 7664–6. Deducting the Upper Burma charge, the increase from 1875–6 to 1895–6 has been Rx. 700,000; items of this increase, *Jacob*, 7642–9. Diminution expected in police expenditure in Burma, *ib.*, 7605–7. Reorganisations of the police resulting in increased expenditure, *Jacob*, 4702–7, 7603–4, 7650–1. Employment of Military Police, the scale of pay is higher, *Jacob*, 7667–73; Increase due to the annexation of Baluchistan, *Jacob*, 7671–6*a*. Increase in the charge for Bengal, *Jacob*, 7608–10. Police arrangements with the Calcutta municipality, *Jacob*, 7614–6. Police expenditure in Bombay, *Jacob*, 7610–3. North-West Provinces and Oudh, Punjab, and Madras, *Jacob*, 7628–9. Arrangements with municipalities, *Jacob*, 7617–23.
Increase due rather to increased force than increased pay, *Jacob*, 7630–3; the increased cost is proportionate to the increased force, *ib.*, 7636–42.
An increase in force and some increase in the rates of pay has occurred, but in the lower grades, *Jacob*, 7650–8.
The cost of police must increase; some increase of rates of pay will be necessary to secure efficiency, *Jacob*, 7683–9, 7693–4. Need for a better class of men, *ib.*, 7684–6. Pay of constables as compared with current rate of wages, *ib.*, 4708–15. Charges brought on the police account since 1875–6, *ib.*, 4716–21.
Police charges, *see* APP. 14, p. 184, Vol. II., First Report.
The employment of natives in the police force, *Jacob*, 4727–40. The employment of natives as a means of promoting efficiency, *Wacha*, 17,674–704.
See also NATIVES, EMPLOYMENT OF.

POLITICAL PENSIONS. *See* PENSIONS, 3.

POST OFFICE.
1. POST OFFICE.
a. *Administration.*
The Post Office is under the control of its Director-General (in subordination to the Finance Department), he has under him a Postmaster-General, or

Deputy Postmasters-General in each Province, *Jacob*, 11,256-8, *Waterfield*, 284-6, 292-3.
The receipts are paid in to the district treasuries, *Waterfield*, 287.
The staff, *Jacob*, 11,272-3. Increase of business has necessitated an increase of superintending staff, the Money Order and Savings Bank business has been taken over since 1875-6, *Jacob*, 11,265-9. Amount and growth of the Money Order and Savings Bank business, *Jacob*, 11,265-9, 11,275-88, 11,289-93, 11,294-6, 11,445-58.
Question of inclusion of the District Post Accounts in the General Post Office Accounts, Rent of Buildings, &c., *Jacob*, 11,297-313. Question of crediting the Post Office with certain local rates, *Jacob*, 11,314-28-34.
Number of postal articles dealt with 1875-6 to 1893-4, *Jacob*, 11,344 5.
Method of checking number of letters, *Jacob*, 11,351-3.
Parcel Post supposed to pay its way, *ib.*, 11,346-50.
Collection of Government dues by means of the Post Office, *Jacob*, 11,354-60, (*Waterfield*, 656, 781).
Sale of quinine by the Post Office, *Jacob*, 11,365-7. The Post Office being a Commercial Department pays for its own stationery and printing, *Jacob*, 11,393-400.
Discount allowed to Postmasters on the sale of stamps, *Jacob*, 11,391-2.
Precautions against fraud, *Jacob*, 11,361-4. Probable expansion of the Post Office, *Waterfield*, 291-8.
Postal rates, *Jacob*, 11,437-44. The charge to Government Departments, *ib.*, 11,513-8.

b. *Revenue and Expenditure.*
The Post Office is not looked upon as a revenue-producing Department, *Waterfield*, 287-8.
1875-6 net deficit Imperial Post, Rx. 66,000; District Post, Rx. 79,000; total Rx. 145,000. 1893-4, net revenue Imperial Post, Rx. 118,000; net deficit, District Post, Rx. 114,000; total revenue, Rx. 4,000. Estimated revenue for 1895-6, *Jacob*, 11,259-62. Details of charges, *ib.*, 11,263. Diminution of the revenue due to loss by exchange, *Jacob*, 11,264. Charges for Presidency and District Offices, *Jacob*, 11,335-6. The charge for salaries and establishment, *Jacob*, 11,337-43. Charges in England, *Jacob*, 11,401-2. Stores supplied from England, *Jacob*, 11,415-28. Pension charge, *Jacob*, 11,463-4.

c. *District Post Office.*
Description, *Jacob*, 11,429, 11,446-53. Mode of accounting, *Jacob*, 11,430-6.
See also EASTERN MAIL SERVICE.

POLITICAL EXPENDITURE.
The Political Department is under the Foreign Department, and comprises the political residents at Native Courts, *Jacob*, 10,127-30.
Increase in charges, 1875-6 to 1893-4, *Jacob*, 10,131. Details, *ib.*, 10,132-3. The increase in the political agent's charges, *Jacob*, 10,134-7. Burma and Assam, *ib.*, 10,137. Punjab, *ib.*, 10,138-9. Political Subsidies, *ib.*, 10,141-5. The charge for refugees and State prisoners, *Jacob*, 10,146. Special Political Expenditure, *ib.*, 10,147-8. Imperial Service troops, organising and superintending staff, *ib*, 10,149-50. The administration of lands in the Somali country, receipts cover charges, *Jacob*, 10,151-3, 10,156-61. Miscellaneous charges, *ib.*, 10,154-5. Home charges, *ib.*, 10,162-3.

POLITICAL PENSIONS. *See* PENSIONS.

PRESIDENCIES OF MADRAS AND BOMBAY.
Compared with the lesser provinces, *Waterfield*, 10-5.

PRESIDENCY BANKS. *See* BANKS.

PRINTING. *See* STATIONERY AND PRINTING.

PRODUCTIVE WORKS.
Definition, *Becher*, 1532. *See also* IRRIGATION.

PROTECTIVE WORKS. *See* IRRIGATION AND FAMINE.

PROVINCIAL COMPTROLLERS, *See* ACCOUNTANT-GENERAL, 2 A.

PROVINCIAL CONTRACTS. *See* PROVINCIAL SYSTEM, 3 *a*.

PROVINCIAL FINANCE. *See* PROVINCIAL SYSTEM.

PROVINCIAL EXPENDITURE. *See* PROVINCIAL SYSTEM, 2 *a*.

PROVINCIAL GOVERNMENTS.
Definition of Provincial Governments, *Waterfield*, 856.
Enumeration of the eight Provincial Governments, each of which is a separate centre of Financial Administration, *Waterfield*, 8-9.
The style of the Governments of Madras and Bombay, the larger provinces, is "The Governor in Council," and of the minor provinces "The Lieutenant Governor", or the "Chief Commissioner," *Waterfield*, 10-5.

PROVINCIAL RATES.
Levied on land for special local purposes, *Jacob*, 11,161-5. Cost of collection charged to Land Revenue, *Jacob*, 11,166, 11,175-7. Nature of the charges in each province, *Jacob*, 11,178. The charges are both provincial and local, *Jacob*, 11,179.
Revenue in 1875-6 and 1893-4, *Jacob*, 11,173.
There has been practically no increase, *Waterfield*, 14,915-8.
Alteration of duties. *See* App. 65, p. 403, Vol. II.

PROVINCIAL SYSTEM.
1. THE SEPARATE GOVERNMENTS.
See PROVINCIAL GOVERNMENTS.

2 ADMINISTRATION.
Provincial Finance. *See* APP. 3 and 7, pp. 44 and 52, Vol. II., First Report.
The chief Financial Officers of the Presidencies of Bombay and Madras are the Financial Members of the Governor's Council, assisted by the heads of branches, and by the advice of the Accountants-General; of the larger provinces, the Lieutenant-Governor; and of the minor provinces, the Chief Commissioner, *Waterfield*, 10-5.
The Provincial Accountants-General are officers of the Central Government, but act as the *advisers* of the Provincial Government, *Waterfield*, 122-34. *See also* ACCOUNTANT-GENERAL.
The Treasury Officers are assistants of the district Collector, and as such subordinate to the Provincial Governments, *Waterfield*, 135-7. *See also* DISTRICT TREASURERS.
Method of communication between the Provincial and Central Governments, *Waterfield*, 857-62, 874-8.
Military Administration does not concern the Provincial Governments, it is wholly Imperial, *Waterfield*, 872-3. Provincial Councils should be deprived of the military element, *Roberts*, 15,743-4.
With the exception of Salt Revenue in Northern India, *Waterfield*, 657-67, and certain Departmental Receipts (*see Waterfield*, 656 and 781), the whole of the Revenue is collected by officers of the Provincial Governments, *Waterfield*, 672.
The officers charged with the collection of purely Imperial heads of revenue are independent of the Provincial Governments, *Waterfield*, 668-70.

a. Yearly average of provincial and local expenditure in all the provinces together in each of the last four quinquenniums, and average population for the same periods; comparison of the increase in provincial expenditure with that of the Imperial expenditure. The Provincial Governments have had their fair share of the increase in the revenue, *Jacob*, 19,873-902. Excluding expenditure for special purposes the Imperial expenditure has not increased, but the provincial expenditure has increased 20 per cent., *Jacob*, 19,903-8. Even if the provincial expenditure does not cover the requirements of the Provinces, it is a fair share of the available resources, *Jacob*, 19,909-12. The Government of India aims rather at equality of advantage than at uniformity, *Jacob*, 19,971-2.

b. *Expenditure in particular provinces, see* BOMBAY, MADRAS, and BENGAL.

c. *Provincial and local net expenditure, see* App. 80, 81, 82, 83, pp. 366-9, Vol. III.

e. *Provincial expenditure under particular headings, see* EDUCATION, LAW AND JUSTICE, and BUILDINGS AND ROADS, CIVIL

3. THE SYSTEM OF DECENTRALISATION.

a.
The germ of the provincial system was a suggestion made in 1861 by Mr. Laing, Financial Member of Council, to establish local taxes for certain minor public works; these were, however, never imposed, *Waterfield*, 633-40. Sketch of the growth of the existing system, *Banerjea*, 19,206-7.
The policy of transferring to the Provincial Governments, with a view to administrative as well as financial improvement, the responsibility for the administration of a large portion of their own

revenues was introduced by Lord Mayo in 1871, in the shape of fixed grants. In 1877, in lieu of a portion of the fixed grant, certain heads of revenue were assigned to the Provincial Governments; a further step in this direction was made with respect to Burma and Assam in 1879, and the amended system was generally applied in 1882, *Waterfield*, 582–7.

The Provincial Governments had always been responsible for the collection of revenues, but till 1877 derived no direct benefit from careful collection, *Waterfield*, 584.

The Provincial Governments defray fixed proportions of the expenditure under various heads in consideration of fixed assignments under each head. No attempt is made to arrive at equilibrium under each separate head transferred; the equilibrium is arrived at by general adjustments, *Waterfield*, 923–37. Administration charges are provincial, but offices of Account and Audit are mainly Imperial, *Waterfield*, 648–55, 1108–11.

The Provincial Governments make all payments out of the general cash balances, and an adjustment between the Central and Provincial Governments is afterwards made, *Waterfield*, 671–2.

Whilst giving the Provincial Governments considerable freedom in details, the Central Government generally supervises and controls their expenditure and revenue management; in the latter no change can be made without the consent of the Central Government, *Waterfield*, 673–8, 789–803.

Practically the same provisions, excepting as regards receipts from provincial railways and land revenue, now apply to all Provinces alike, *Waterfield*, 598–600.

Those Provinces which have Legislative Councils may, with the consent of the Government of India, levy a provincial or local rate, which is a further tax on land—in addition to the Land Revenue proper—to meet local expenditure, *Waterfield*, 605–32, 936–7.

Every five years an examination is made of the circumstances of the several Provinces, in order, on the one hand, to ensure to the Imperial Government a due share of any improvement in the revenues; and, on the other hand, while giving the Provincial Governments a fair proportion of any increase, to lessen the chance of their being called upon to render abnormal assistance to the Imperial Government. Fixed proportions of the various heads of Revenue are assigned to the Provincial Governments, and the principle on which the revision is based is that of establishing equilibrium of provincial revenues and expenditure, the necessary adjustments being effected by additions to or subtractions from the normal proportion (25 per cent.) of Land Revenue assigned to the Province, *Waterfield*, 642–4, 770–1. On revision any surplus of future estimated receipts goes to the Central Government, *Colvin*, 3049–56; therefore it has an interest in keeping down the provincial expenditure, *Colvin*, 3057–64, 3202–8. The constant revisions and absorptions by the Central Government of increased revenue are at present a necessary evil, *Barbour*, 2085–94. The provincial contracts might with advantage run for 10 years; the system is successful, *Lansdowne*, 15,943–8. This revision is conducted by the Financial Department in correspondence with the Provincial Governments. In 1886 a special Finance Committee was appointed to consider Provincial Finance and to advise the Financial Department in carrying on the revision. *Waterfield*, 588–97, 601–4.

The agreements assure to the Provincial Governments a normal income, the Central Government taking the risks of war and of fall in exchange, except as regards compensation allowance to Provincial officers, *Waterfield*, 840–6; but it may claim contributions from the Provincial Governments in times of pressure (*instances*), *Waterfield*, 847–55.

Under the Agreement of 1882 the Provincial Governments had an interest, more or less direct, in the collection of 42 crores of Revenue and administered about 16 crores of expenditure. In 1887—the first revision under the new system—and again in 1892 the Revenue and expenditure of the Provincial Governments were re-estimated and the assignments refixed with a view to equilibrium, the Imperial Government taking practically the whole of the net increase, *Waterfield*, 689–709.

The original contracts were made on the basis of existing facts with a view of gradual development of provincial resources and expansion of provincial expenditure on useful subjects, *Jacob*, 20,050–3.

b. The Effect of the System.

A large increase in the Provincial Revenues has followed the introduction of the system; this may be ascribed partly to more careful administration, *Waterfield*, 679–98. The Excise Revenue has increased 85 per cent. without appreciable increase in rates of taxation, *Waterfield*, 689–97.

There has been a considerable increase in the rates of taxation, *Barbour*, 2115–20. *See also Barbour*, 2121–2.

The increase in the Excise Revenue is partly due to enhanced prosperity and partly to a decided increase in taxation, *Bernard*, 1720–6; increase of receipts under different heads of Excise and of duty on liquor. *Bernard*, 1739, 1740–3. The increased attention paid to Excise questions is not to be attributed to the decentralisation system, *Bernard*, 1805–16.

The total increase (22 per cent. in Provincial Revenues) may be ascribed rather to more careful collection and improvement in the condition of the people than to increase of taxation, *Waterfield*, 710–805.

The improvement is due not only to better administration, but to increased power of consumption, owing to favourable seasons, *Colvin*, 3066–71.

It may rather be ascribed to the greater latitude in administration allowed to the Provincial Governments than to increased zeal, *Barbour*, 2110–4. *See also* EXCISE.

As regards prosperity, taxation and land revenue have increased in late years, but the average income is low; on the other hand, the cost of necessaries is also low, *Barbour*, 2276–95.

The increase in the Land Revenue is caused by resettlements on expiration of existing contracts; the assessments are in a great part of India a proportion of the rental value of the land, and the increased return must be ascribed to increased agricultural prosperity, *Waterfield*, 721–29, 748–55; but the increase is not due to better collection, *Bernard*, 1747–51. Actual increase 1875–6 to 1893–4, *Jacob*, 10,744–51. A limit has been placed upon the enhancement of individual assessments by the Secretary of State, *Waterfield*, 733–47; the enhancements on revision are due to increased prices on opening up fresh markets for produce, *Bernard*, 1752–9; there is no increased inducement under the Provincial system to settlement officers to increase rates, *Bernard*, 1784. Recommendations for revised assessments must have the approval of (1) the Provincial Government, (2) the Government of India, and (3) the Secretary of State, *Waterfield*, 764–70. Increased Land Revenue does not necessarily mean an increased strain on the people, *Waterfield*, 12,078–81. *See also* LAND REVENUE *and* TAXATION.

The Provincial system may have been a factor in the weakening of the Finance Member, *Colvin*, 2957.

It has done away with a vast amount of correspondence, *Waterfield*, 884–7.

c. Possible further development and improvement of the system.

The system should be developed as soon as possible into complete financial independence, and the controlling power of the Central Government used as little as possible, *Barbour*, 1947, 2083–4, 2127; the Provincial Governments should be allowed great discretion, *Colvin*, 3047–8; the system has been carried nearly as far as it can go, *Colvin*, 3135–9; it has a certain tendency towards encouraging local expenditure, but not to a higher standard of permanent expenditure, *Barbour*, 2095–9; *Waterfield*, 12,063–8. The system of Provincial responsibility should be carried as far as it will go, *Ripon*, 16,157–73; *see also Gokhale*, 18,036–43.

Revisions of provincial contracts by Lord Ripon's Government, *Jacob*, 20,173.

A reasonable share of the revenues should be permanently assigned to the Provinces, *Barbour*, 2104; *see* PROVINCIAL SYSTEM, 2*a*. It would be preferable that the terms of the contract should be lengthened, say, to 10 years, and that a smaller share of receipts should be given to the Provincial Governments, rather than abolish the revisions, *Colvin*, 3065.

The revisions and special contributions levied on the Provincial assignments are a necessary evil, *Barbour*, 2104*a*–6; and they have been more severe than was contemplated, *Barbour*, 2129; they must

be levied with respect to the circumstances of each Province, *Barbour*, 2131.
The Provincial system is a most admirable one, but it is necessary to retain the power of withdrawing portions of the Provincial allotments in the case of Imperial emergency, though the power should be very sparingly used, *Cromer*, 13,586–93.
The term of the contracts is too short, and the resources placed at the disposal of the Provincial Governments are inadequate; proposed remedies, *Banerjea*, 19,208-10–28.
Largeness of the share appropriated by the Central Government, *Banerjea*, 19,229–34. *See* PROVINCIAL SYSTEM, 2*a*.
The Provincial Governments do not get their fair share of the expenses of revenue, *Banerjea*, 19,260–78, 19,309–18. *See* PROVINCIAL SYSTEM, 2*a*. It is an evil that the Supreme Government should be able to demand special contributions, *ib.*, 19,279–82. Dissatisfaction due to the system, *ib.*, 19,283–307. If revisions are necessary, the terms should be extended to 10 years, and proposals should be submitted to the Provincial Legislative Councils, *ib.*, 19,318–9. The Provincial share should be 50 per cent. of the revenue, *see* PROVINCIAL SYSTEM, 2*a*, *Gokhale*, 18,094–104. A proposed correct system of levying provincial contributions, *Gokhale*, 18,105–38.
Responsibility for Provincial Financial Administration should be left principally to the Provincial Governments; the Supreme Government receiving a fixed equitable percentage to be distributed only in case of dire emergency, *Wacha*, 17,260–312.
Arguments in favour of the existing system, which is expedient for administrative purposes, and a matter of financial principle. The Government is considering the separation of certain classes of expenditure and making for them a fixed and permanent grant. Constant pressure is brought to bear on the Provincial Governments to undertake fresh expenditure. The increase in the assignments has been in excess of the ratio of the increase of the provincial revenues, *Jacob*, 20,003–43. There is a slight tendency to excessive expenditure in the last year of the quinquennium, for the purpose of getting better terms under the next contract, 20,044–9.

4. BALANCES.
The Provincial Governments are bound to budget for a minimum cash balance at the close of the year, *Waterfield*, 891–2 (APP. 8, p. 55., Vol. II., First Report), unless with the previous sanction of the Government of India, *Waterfield*, 895. These balances are designed to meet purely local emergencies; they are not ear-marked, but form part of the general balances, for the location and management of which the Comptroller-General is responsible, *Waterfield*, 890–900.
A balance reduced below the prescribed minimum would be re-created by the Central Government, and the Province would not be allowed to use its spare revenues until the balance had been replaced, *Waterfield*, 813–20.
Circumstances in which assistance is given by the Central to the Provincial Governments in case of distress from famine, *Waterfield*, 806.
Explanation of the decrease of the Provincial balances, *Waterfield*, 12,241–3.
5. PROVINCIAL BUDGETS, *see* BUDGET 7.

PUBLIC DEBT OFFICE.
The Comptroller and Auditor General is responsible for the management of the Public Debt Office, *Waterfield*, 76–9. His position corresponds to that of the Controller of the National Debt Office in England, *Waterfield*, 83–4.

PUBLIC WORKS.
ADMINISTRATION.
Officers of the Central Accounts Branch, Public Works Department, *see* FINANCIAL OFFICERS, c., and AUDIT and ACCOUNT, B. 1.
Examiners, *see* EXAMINERS, 2.
Disbursing Officers, *Beecher*, 1503–4, 1554–7, 1558–60; *Waterfield*, 194–7, 340–4.
The BUDGET, *see* BUDGET, 5.
AUDIT AND ACCOUNT, *see* AUDIT AND ACCOUNT, B. *c.*
MAJOR HEADS OF CHARGE (Administration and Expenditure).
FAMINE RELIEF AND INSURANCE, *see* FAMINE RELIEF AND INSURANCE.
RAILWAYS, *see* RAILWAYS.
IRRIGATION, *see* IRRIGATION.

PUNJAB.
Police expenditure, *Jacob*, 7628–9.
Irrigation Works. *See* IRRIGATION, 1 and 2.
Political charges, *Jacob*, 10,138–9.

PURCHASE.
Abolition of the system of, *see* MILITARY FINANCE, 3, *f*.

RAILWAYS.
A. ADMINISTRATION.
The Administration rests with one of the branches of the Public Works Department, *Becher*, 1475–83. Construction is for the most part carried out by the Provincial Public Works Staff, *ib.*, 1537–41.
The first step taken in Railway policy was the guarantee of interest by Government on Companies' capital, *Jacob*, 7709. Subsequently the Government constructed lines itself, *ib.*, 7710; and a third class of lines are those constructed privately, but, being the property of the Government, are leased by it to companies for a term, *ib.*, 7709–35, 7712–21; the fourth class include lines where the Government only pays a subsidy either in money or land, *ib.*, 7789–99.
The policy of encouraging private companies to construct feeder lines, *Waterfield*, 12,189–95. Terms for construction of railways in India by Companies, *see* APP. 42, p. 246, Vol II., First Report.
Mileage, capital outlay, gross earnings, working expenses, and net earnings in 1876 and 1894, *Jacob*, 8123–35. Military and unproductive railways make the total result lower than it would otherwise have been, *ib.*, 8136-41. The working of the lines has, on the whole, resulted in a loss to the Government, *ib.*, 8142–9. There is no return coming in for 11,000,000*l.* of the expenditure on unopened lines, *ib.*, 8150–1. Apart from a further fall in exchange a profit may be expected in the future, *ib.*, 8157.
Indian railways are not worked cheaply according to Indian ideas, *Gokhale*, 18,340–417. The profits of Indian lines, built with English capital, must go out of India, *Wacha*, 17,502, 17,536–49; but it is difficult to gauge the benefits they may have conferred on India, *ib.*, 17,503–35.
1. *Guaranteed Lines.*
Explanation of the guarantee system, *Jacob*, 7952–74. Of the old guaranteed lines only the Madras Railway now earns insufficient to pay the guaranteed interest, but none have recouped the Government for excess interest paid in the past, *ib.*, 7736–75. By exercising the option of purchase the State has reduced the number of lines from eight to three, *ib.*, 7808–10. Sums paid for the purchase of the lines, *ib.*, 8082–101. Power to purchase the remaining three, *ib.*, 8108–17.
Question of possible loss to Government through the non-purchase of some guaranteed lines when opportunities occurred, *Waterfield*, 12,202.
2. *State Lines.*
For the most part State railways are under the control of the Government of India in the Public Works Department: some are provincial: there are the same regulations for all, *Waterfield*, 301. The revenue from railways (and irrigation works) would usually be paid into the most convenient Central Treasury, *Waterfield*, 299–300.
As a rule each Railway Administration settles its rates between a maximum and minimum, prescribed by the Public Works Department; but any alteration involving a loss of revenue must be sanctioned by the Financial Department, and, in case of difference of opinion between the Departments, by the Governor-General in Council, *Waterfield*, 301–2.
Expenditure in 1875–6 and 1893–4 on State-constructed lines, *Jacob*, 7821–4. Means of judging the financial success of these lines, *Waterfield*, 12,187–8. The whole expenditure may be said to have been met by borrowing, *ib.*, 7848–51, though a considerable amount was charged to revenue in 1893–4, *ib.*, 7902–15. These lines include Military lines and lines built for famine relief; the latter must always be unproductive, though the former may possibly in time show a profit, *ib.*, 7854–97. The Military lines are constructed out of borrowed money, as commercial lines, *ib.*, 7916–26. Probable increased expenditure on Military railways, *Roberts*, 15,604–5. Military lines should be treated as Military expenditure, *Wacha*, 17,486. Lines for famine protection, *Jacob*, 8208–17. Lines charged to the Famine Relief Grant, *ib.*, 8718–23. Gross earnings and working expenses of the Military sections of the North-Western Railway, *Jacob*, 9614–21. (APP. 26,

p. 224, Vol. II.. First Report.) Proportion of the earnings from Military and public traffic, *ib.*, 9631. The construction of railways out of borrowed money is limited to the productive class, *Becher*, 1528–36. The policy of the Government in regard to the construction of railways, *ib.*, 8043–68. The results of productive and unproductive lines are not separated in the Finance and Revenue accounts, *Jacob*, 9625.

3. *Leased Lines.*
Total capital liability of Government at the end of 1893–4, was 25,143,000*l.*, *Jacob*, 7933.

Subsidised Lines.
Capital, *Jacob*, 7947. The method of paying subsidise to the Companies, *ib.*, 7975–8.

B. REVENUE AND EXPENDITURE.
Net charge, *see* APP. 28, p. 225, Vol. II., First Report.
There was a deficit of Rx. 1,750,000 in 1875–6, and of Rx. 1,170,000 in 1895–6, but this would have been a surplus if exchange had remained as in 1875–6, *Jacob*, 7979–97.
There was no charge for subsidised lines in 1875–6, there was a net receipt in 1895–6, *Jacob*, 7998–8000.
There was a net charge of Rx. 337,000 in 1875–6 on State railways, and there would have been a net receipt in 1895-6 of Rx. 1,700,000, but for loss by exchange, which converted it into a deficit of Rx. 970,000, *Jacob*, 8007–28.
Loss on Guaranteed and State lines has been about a million and a half a year, *Wacha*, 17,473–4, 14,487–501.
The Indian Midland and Bengal-Nagpur Railways, *Jacob*, 20,207, *and see* 20,203–4.
The net charge for railways on revenue account, *Jacob*, 9631*a*–9. *See* APP. 27, p. 224, Vol II., First Report.
The capital for constructing lines is raised in India, and for purchasing lines in England, *Jacob*, 8029–31. Contribution of native capital, *Jacob*, 8179–89, 8203–7.
Amounts borrowed for the construction of lines, *ib.*, 8048–9–50–9, 8069–72.
Employment of natives on railway lines, *Jacob*, 8161–202.
History of the Bengal Central Railway Company, *Waterfield*, 12,203–4.
Railway receipts deducted from expenditure. *See* App. 77, p. 360, Vol. III.

RATES, PROVINCIAL. *See* PROVINCIAL RATES.

RECRUITING.
IN INDIA. System of recruiting native soldiers, *Collen*, 5373–95, 5397–401. Cavalry recruits. *Collen*, 5402–6, 5407–17. Cavalry and Infantry pay, *ib.*, 5427–9. The infantry need a year's training before they are fit to join the ranks, the cavalry somewhat longer, *Collen*, 5418–20.
Recruiting in England. *See* MILITARY FINANCE, 3, a and b.

RED SEA AND INDIA TELEGRAPH COMPANY.
Agreement made between the Government and Company, *Waterfield*, 12.314–8.

REGISTRATION DEPARTMENT.
Net Revenue 1875–6, and 1893–4. Though not intended to be a revenue-producing Department, it more than pays its way, *Jacob*, 11,242–5. There has practically been no increase, *Waterfield*, 14,915–8.
Alteration of duties, *see* App. 66, p. 403, Vol. II.

REMOUNT AND VETERINARY DEPARTMENT. *See* MILITARY FINANCE, 2, a.

REPORT OF THE ROYAL COMMISSION.
First Report, Vol. I, p. x.
Second Report, Vol. IV.

REPORTS.
Appropriation Reports. *See* APPROPRIATION REPORTS.
Financial Reviews and other Reports.
The Financial Reviews report in the year's work from a financial point of view, *Collen*, 3566–9. These, together with the Administration Reports, amply review the work from every point, *Collen*, 3573. These reviews are a means of giving the Government information as regards the progress of expenditure, *Collen*, 3574–7.

REVENUE.
THE COLLECTION OF REVENUE.
i. *The Collection and Custody.*
There are 266 district treasuries, not including the sub-treasuries (a sub-treasury is an outlying post is an extensive district), *Waterfield*, 152–62. The revenue collected within a district is paid into the district treasury, *Waterfield*, 224; in the smaller districts the money balances are kept in strong rooms, in the larger at the branch Presidency Banks, *Waterfield*, 135–51, 156–8, 190.
Losses are very rare, *Waterfield*, 185–9; *Barbour*, 1990–3.
All the district treasuries are in telegraphic communication with the Accountants-General of their province, *Waterfield*, 223.
Any money that is not wanted at the District Treasury is remitted to a central station, where the bulk of the payments are made and from which funds can easily be removed by drafts, *Waterfield*, 164–70.
The Provincial Accountants-General receive monthly estimates for the current and two succeeding months from the several treasuries, and thus are able to order remittances from surplus to deficit treasuries, *Waterfield*, 404–5.
The movement of Funds from the District Treasuries is now a source of profit, owing to the premium on Bills, *Jacob*, 2832.
Elasticity of Revenue, *see* App. No. 72, p. 348, Vol. III.
Deposit of Balances in Banks, and the use of the Banks by Government. *See* BALANCES.
ii. *Revenue Departments.*
The organisation of the Revenue Departments is not perfect, but satisfactory and improving, *Barbour*, 1979–85. Means by which the Financial Member is brought into touch with the Revenue Departments, *Barbour*, 1957–85, 2038–43.
With the exception of the Salt Revenue in Northern India, where, for the sake of convenience, the revenue is collected by officers of the Central Government, *Waterfield*, 657–67, and certain Departmental Receipts (Post Office, Telegraph, Mint, Army, and Military Works, *Waterfield*, 656, 781), the whole of the Revenue is collected by officers of the Provincial Governments, *Waterfield*, 668–70.
Increase in the revenues falling upon the policy of decentralisation, *Waterfield*, 679–88, 710–805. Increase in gross revenues 1883–4 to 1893–4, *Waterfield*, 14,963–77.
See also PROVINCIAL FINANCE and BERNARD, (Analysis of Evidence.

RETIRED PAY.
Colonels' allowances, *Jacob*, 10,712–17.

REVENUE AND AGRICULTURAL DEPARTMENT OF GOVERNMENT OF INDIA.
Control of Land Revenue, *see* LAND REVENUE ADMINISTRATION.

RIPON, THE MOST HONOURABLE THE MARQUIS OF, K.G., &c.
Formerly Governor-General of India. Evidence, p. 133, and Analysis of Evidence, p. xl., Vol. III.

REWARDS FOR MILITARY SERVICES. *See* MILITARY FINANCE, 2 a.

ROADS. *See* BUILDINGS AND ROADS.

ROBERTS. FIELD MARSHAL THE LORD, V.C., G.C.B., &c.
Evidence given by, *see* p. 105, and Analysis of Evidence, p. xxxviii., Vol. III.

ROSEBERY AWARD. *See* NAVAL SERVICES, B.

ROYAL INDIAN MARINE, THE. *See* NAVAL SERVICES, A.

ROYAL NAVY SHIPS SERVING IN INDIAN WATERS. *See* NAVAL SERVICES, B.

SALT DEPARTMENT.
Organization, *Jacob*, 11,079–81. Sources of Revenue in Bengal, *Jacob*, 11,082–4. The revenue chiefly derived from excise and customs duties, *Jacob*, 11,085–94. Rates of duty, *Jacob*, 11,095–11,101.
Deducting certain exceptional charges, the cost has increased by Rx. 36,000 since 1875–6, *Jacob*, 11,068–72. The charge is mainly Imperial, *ib.*, 11,073–4. The increase in the assignments since 1875–6 due to the abolition of customs line, and the introduction of fixed payments to Native States, *Jacob*, 11,075–8.

SAVINGS BANK.
Receipts applicable for all loan purposes, *Jacob*, 7192–7–200. Interest allowed on deposits, *Jacob*, 7214–7, 7221–7. Limits of deposits and total in 1895, *Jacob*, 7210–7218–21. *See also* POST OFFICE, 1, *a*.

SCHOOLS.
Government, Municipal, and Private Schools. *See* EDUCATION.

SCIENTIFIC AND MINOR DEPARTMENTS OF THE GOVERNMENT OF INDIA.
Enumeration of the Departments for which the charge is made, *Jacob*, 10,168-70.
Decreased charge for the survey of India, *ib.*, 10,177-7.
Increased charge for the Meteorological Department, *ib.*, 10,178.
Decreased charge for the Geological Survey Department, *ib.*, 10.179-80.

SECRETARY OF STATE FOR WAR.
As compared with the Indian Military Member of Council, *Newmarch*, 1158-66; *Collen*, 3329-35.

SECRETARY OF STATE IN COUNCIL. *See* INDIA OFFICE.

SHORT SERVICE.
Average service in India, *Waterfield*, 15,281-319.
Short service was necessitated by the breakdown of the long service system, it has been successful in supplying the required number of men, *Lansdowne*, 15,959-65.
The view of the Government of India in 1890, *Collen*, 6229-32. Opinion against the short service system, the Government of India desire allowance to be made financially for the disadvantages of the system, *Collen*, 6233-4. Objection to 10 years service, *Wolseley*, 13,167-70. The average service is now four years and five months: seven years perhaps satisfactory, *Collen*, 6235-7. But this would entail a pension, *Wolseley*, 13,171-6. Objection to the youth of the men, *Collen*, 6238, 6389-94. Short service and invaliding, *Collen*, 6262-5. Though invaliding has decreased it is due to better sanitation, *Collen*, 6240-7; and possibly to the temperance movement, *Collen*, 6673-6. Question as to "Constantly Sick" in Indian Military Hospitals, *Knox*, 12,810-20. Mortality has also decreased, *Collen*, 6288-92. It is also due to the new system, *Wolseley*, 13,136-50.
Two-thirds of the soldiers in India are under 25, more than half of the invalids come from those over 25, *Collen*, 6248-61. The best service is given over 25 years, *Collen*, 6224-82. Re-engagement of older men, *Collen*, 6765-8. Ages at present time, *Collen*, 6266-73. Age at enlistment, *Collen*, 6350-8.
Terms of enlistment before and at different periods after the Mutiny, *Knox*, 12,384, 12,609-15.
Steps which led up to the introduction of short service, *Collen*, 6328-35-49-6359. The cause was probably the difficulty of recruiting rather than the wish for a reserve, *Roberts*, 15,654-5.
Past service of non-commissioned officers and men. *See* APP. 55 & 56, pp. 386 and 387, Vol. II., First Report.
Financial effect of the change, *Collen*, 6049-74, 6367-82. Changes subsequently made which reduced the charge, *Collen*, 6383-8, 6492. The short service system increases the recruiting and transport charges, but decreases the pension charge, *Knox*, 12,670-3, *Wolseley*, 13,151-5, *Waterfield*, 15,320-1, *Roberts*, 15,634-45. Though the number of men sent out has of a necessity increased the transport charge has not increased proportionately; the value of the Reserve to India, *Knox*, 12,756-64. India should not contribute toward the cost of the reserve, which is of no use to her, *Roberts*, 15,646-53.
The necessity for a reserve in England, *Lansdowne*, 15,966-9.
Saving in the pension charge. *See* MILITARY FINANCE, 2, b, ii.
The short service men under the present system are better and more effective soldiers, *Wolseley*, 13,156-66.
Comparison of the Company's and Queen's troops, *Wolseley*, 13,177-82.

SOMALI COAST.
Administration of, *see* ADEN.

SPECIAL DEFENCE WORKS. *See* MILITARY WORKS.

STAMP REVENUE.
The Stamp Revenue is under the management of Provincial Governments, large questions and general regulations being under the control of the Central Government. Stamps are sold at treasuries and sub-treasuries, which receive directly the bulk of the revenue, including fines, *Waterfield*, 261-3.
Revenue and charges, 1875-6 and 1893-4, *Jacob*, 11,102-6.
Increased charge chiefly due to discount on sale of stamps, *Jacob*, 11,107. Percentage of cost to collection, *Jacob*, 11,108. Three-fourths of revenue and charges are provincial, *Jacob*, 11,112. Details of revenue, *Jacob*, 11,114-28.
There has practically been no increase, *Waterfield*, 14,915-8.
Alteration of Stamp Duties. *See* App. 65, p. 403, Vol. II.

STATE RAILWAYS. *See* RAILWAYS, No. 2.

STATIONERY AND PRINTING.
1. ADMINISTRATION.
There are three Central Stationery Offices, *Jacob*, 10,498-9; quite independent of each other, *Jacob*, 10,512-3. The offices at Calcutta, Bombay, and Madras, are under the Provincial Governments, subject to the control of the Financial Department, Government of India, *Jacob*, 10,503-4. But the charge is Imperial, the Government of India gets credit for stationery supplied to Provincial Governments, *ib.*, 10,515-6. The offices are large stores upon which the Governments drew, *ib.*, 10,520-1, 10,515-6. Limited power of Departments to order their own stationery, *Jacob*, 10,506. Government does all its printing except form printing, *Jacob*, 10,506-7. The permanent printing staff is kept as small as possible, *Jacob*, 10,573-6. Powers of the Superintendent of Stationery to make contracts, *ib.*, 10,508-11. Area of supply, *Jacob*, 10,514.
2. EXPENDITURE.
Total charge for stationery and printing in 1893-4, Rx. 683,181, *Jacob*, 10,505-6. Purchase of stationery in India, Rx. 294,000, or, together with the amounts spent in England, Rx. 345,000, *ib.*, 10,522-3, 10,543-4. The value of stationery supplied from central stores, Rx. 209,000, *Jacob*, 10,525-40, and of this Rx. 193,238 represents issues to the Provincial Governments, *ib.*, 10,540-56. Increase since 1875-6, Rx. 172,347, *Jacob*, 10,564-5. The increase for stationery has been Rx. 107,000, printing Rx. 64,000, *Jacob*, 10,569. There must still be a general increase due to increased supply, not to enhanced prices, *Jacob*, 10,570-2.

STORES. Local Supply of Stores. *See* APP. 35, p. 238.
Regulations for inspecting and auditing store accounts in India, *Waterfield*, 493-7.
Method of procuring stores for India, *Waterfield*, *Clare-Browne*, 2523-7. Stores Department, India Office, *ib.*, 3529-33. Classes of stores and method of supply, *ib.*, 2534-61, 2621-37. Payment for stores for guaranteed railways, *ib.*, 2574.
Audit and account of stores in the Military Department, *Collen*, 3472-83.
Powers to write off loss on stores of the Director-General of Ordnance, *Collen*, 3505-10. Of other Departments, *ib.*, 3672-5.
Post Office stores procured in England, *Jacob*, 11,415-28. *See also Stores Department*, INDIA OFFICE.
Increase of expenditure in the purchase of Military stores. *See* MILITARY FINANCE, 2, b, iii.
Stores for the Royal Indian Marine. *See* NAVAL SERVICES, A. *Expenditure.*
India is treated in the same way as the Colonies with regard to military stores, and, as regards naval stores, as an Imperial Department, *Knox*, 12,805-9, 12,877-92.

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SUB-TREASURY.
Definition of, *Waterfield*, 154. *See also* DISTRICT TREASURIES.

SURVEY OF INDIA. *See* SCIENTIFIC AND MINOR DEPARTMENTS.

SYSTEM OF ACCOUNT IN INDIA.
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TAXATION.
Difficulty of taxation in India, *Lansdowne*, 15,859-66, *Brackenbury*, 14,689-712.
1. Suggestion that the increase of revenue is due to increased prosperity and not to increased taxation. *See* PROVINCIAL SYSTEM 3, *b.*
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Increase in taxation, *Wacha*, 17,744-55, *Jacob*, 20,190-2.

2. *Assessed Taxes.*
Include only the income tax and a similar tax of very small amount in the Central Provinces, *Jacob*, 11,205–10. Description of the Income Tax, *ib.*, 11,211. Revenue in 1875–6 and 1893–4, cost of collection in the same years; it is collected by the Land Revenue Establishment, *Jacob*, 11,212–6. The income tax is general except in Burma, *Jacob*, 11,217–8. Apportionment of receipts between Imperial and Provincial, *Jacob*, 11,220–2. Exemptions, *ib.*, 11,224–31. The increase of Provincial taxation has been for the purpose of better administration, *Waterfield*, 14,902–11. (*See* APP. No. 66, p. 337, Vol. III.)
Relations of Provincial and Central Governments as regards alterations of rates, *Waterfield and Jacob*, 14,919–22.

TELEGRAPH SERVICE.
The Department is under the Director-General of Telegraphs in subordination to the Public Works Department, *Waterfield*, 284–6, 292–3. Comparison with the Post Office as a revenue-producing Department, *Waterfield*, 287–8.
There are two branches, the Indian Telegraph, and the Indo-European Telegraph, *Jacob*, 11,465–6. The accounts of the first showed a deficit in 1875–6 and a surplus in 1893–4, the second a surplus both in 1875–6 and 1893–4, *Jacob*, 11,463–70. Charges in the two years, *Jacob*, 11,474. The whole system resulted in a deficit in 1875–6, and a surplus in 1893–4, *Jacob*, 11,475–6. Charge for buildings, and stationery, *Jacob*, 11,477–8. Account of the capital expenditure, *Jacob*, 11,479–80.

a. Indian Telegraph Department.
Mileage, 1875–6 and 1893–4, *Jacob*, 11,481. Net capital charge, *Jacob*, 11,481–3. Results shown by adding interest on capital to annual expenditure and deducting therefrom the annual capital expenditure, *Jacob*, 11,484–507. Effect of official telegrams on the revenue, *Jacob*, 11,508–13. Comparative increase of expenditure on revenue account and mileage, *Jacob*, 11,520–6. Reduction of the superior establishment, *Jacob*, 11,527–8. Expenditure on establishments, &c., *Jacob*, 11,529–32. Total number of messages, *Jacob*, 11,533–9. Other charges, *Jacob*, 11,540–50.

b. Indo-European Telegraph Department.
Arrangements under which it is worked, *Jacob*, 11,551–2. Capital outlay and revenue, *Jacob*, 11,553–5. Charges, *ib.*, 11,556–7.
Ceylon telegraphs, *Jacob*, 11,558. Zanzibar and Mauritius cable, *Jacob*, 11,559.
See also ZANZIBAR AND MAURITIUS TELEGRAPH.
See also RED SEA AND INDIA TELEGRAPH COMPANY.

TEMPERANCE.
Decrease in invaliding due to the Temperance Movement, *Collen*, 6673–6. The movement has probably added two regiments of effective men to the British Army in India, *Roberts*, 15,766–71.

TERRITORIAL AND POLITICAL PENSIONS *See* PENSIONS.

TOBACCO TAX.
Levied as a municipal tax in Bombay city, *Waterfield*, 633–9.
Objections to the tax, *Bernard*, 1803–4; *Waterfield*, 635.

TRAINING OF RECRUITS FOR INDIA. *See* MILITARY FINANCE, 3, b.

TRANSPORTS. *See* TROOP SERVICE.

TREASURIES, DISTRICT. *See* DISTRICT TREASURIES.

TREASURY OFFICERS. *See* DISTRICT TREASURIES.

TREASURY, THE (ENGLISH).
The Financial Secretary, Government of India, compared to the Secretary to the Treasury, *Waterfield*, 71–3; and the Comptroller and Auditor-General, Government of India, to the Assistant Secretary, *Waterfield*, 79–92.
The comparison between the Financial Department in India, and the Treasury in England, *Cromer*, 13,508–10, 13,511–7.

TRIBUTES FROM NATIVE STATES.
Amount of and collection, *Jacob*, 11,246–54.

TROOP SERVICE.
Expenditure on sea transport. *See* MILITARY FINANCE, 2, a.
Home transport charges are not likely to increase, *Collen and Jacob*, 5465–74. Increase of charge due to short service, *Collen*, 6049–74, 6367–82, though there has been a reduction in the whole charge due to other causes, *Waterfield*, 15,320–1.
Though the drafts have increased in number, the whole charge has not proportionately increased, *Collen*, 6714–7. The Government of India are anxious to employ their own, and not hired transports, *Collen*, 6719–23, 6727–8. The latter are more expensive, *Kennedy and Cuming*, 8639–43. Coast trooping performed by the Royal Indian Marine ships, *ib.*, 8644–54.

UNIVERSITIES IN INDIA.
The Punjab and Bombay Universities receive grants, but the Calcutta and Madras Universities are self supporting. The charge is gradually diminishing, *Jacob*, 9945–9.

VETERINARY SURGEONS. *See* MILITARY FINANCE, 3, c.

VICEROY. *See* GOVERNOR-GENERAL.

VOLUNTEERS IN INDIA.
Expenditure on. *See* MILITARY FINANCE, 2, a.
Utility and numbers of the volunteers in India, *Collen*, 5706–19. Question of utilising Eurasians and natives as volunteers, *Collen*, 6655–8, 6668–72.

WACE, COL. R., R.A.
Inspector-General of Ordnance, Bengal. Evidence given by, *see* p. 167, Vol. I., First Report, and Analysis of Evidence, p. xxiv.

WACHA, MR. DINSHAW EDULJI.
Representative of the Bombay Presidency Association.
Evidence p. 173, Analysis of Evidence p. xlii, and App. 89, p. 412, Vol. III.

WAR OFFICE.
Evidence given on behalf of the War Office. *See* KNOX, WOLSELEY.

WATERFIELD, SIR HENRY, K.C.S.I., C.B.
Financial Secretary in the India Office.
Evidence given by. *See* pp. 1, 24, 96, 345, 364, 474, and 480, Vol. I., First Report, and pp. 78 and 88, Vol. III. and Analysis of Evidence, pp. xi., xvi., xl., xlii., l., and pp. xxxvii., and xxxviii., Vol III.

WESTLAND, SIR JAMES.
The present District Treasury system was drawn up by, *Barbour*, 2029.
His memorandum with reference to the amount of balances, *Becher*, 2825–7. Note on Sir J. Westland's Budget, *see* APP. 12, p. 99, Vol. II., First Report.
See also App. No. 84, p. 370, and No. 93, p. 431, Vol. III.

WOLSELEY, FIELD-MARSHAL VISCOUNT, K.P., &c. Commander-in-Chief.
Evidence given by. *See* p. 514, Vol. I., First Report, and Analysis of Evidence, p. liv.

ZANZIBAR AND MAURITIUS TELEGRAPH.
The Government of India's share is more than they expected, *Waterfield*, 12,302. The original proposal did not come from the Government of India; the line is more important to England than to India, *Jacob*, 15,017–38. Object of the line, *Waterfield*, 12,319–26. *See also Jacob*, 11,559.
See APP. 64, p. 402, Vol. II., First Report.

ANALYSIS OF EVIDENCE.

31ST DAY.

MORGAN-BROWNE, MR. H., LATE SECRETARY OF THE BRITISH COMMITTEE OF THE INDIAN NATIONAL CONGRESS. —ANALYSIS OF EVIDENCE OF.

Witness prepared certain notes, analysing the Indian expenditure, and arriving at certain conclusions, 13,725–36. In the first paragraph of the second note on Sir J. Westland's Budget statement explanations are given of criticisms by Sir J. Westland of the first note; in the second note every form of exchange has been separated and shown separately, 13,737–8. The year 1888–9 was selected for purposes of comparison in the second note as being a fair year for normal comparison with reference to the increase of troops, 13,739. Objection to the method of reducing the figures of Indian Expenditure to sterling in order to compare results in a series of years, 13,740–1. Objection to form in which the accounts are presented to Parliament, 13,742–9. Comparison of expenditure in 1888–9 with estimate for 1895–6, 13,750. Distinction between *automatic* and *voluntary* loss by Exchange. This is not altogether a question of book-keeping, as the Government of India contend that their difficulties are caused by Exchange alone, 13,751–85. Table 3 in Note 2 was prepared to show the effect of separating exchange into different classes. This table shows that, whereas in Military and Civil Administrative Expenditure there was a total increase, including Exchange, of 10⅞ millions, in the other expenditure of the Government of India there was, notwithstanding loss by Exchange, a net saving of nearly 2½ millions, thus reducing the total increase to about 8 millions. Moreover, it appears from this table that in the "other expenditure" the savings more than covered the increased loss by Exchange, 13,786–96. Loss by Exchange has in the last 10 years become so certain an item, that the Government of India must and do provide for it, 13,797–804. During the seven years 1888–9—1895–6 the cost of the services has risen by Rx. 6,277,803 (including Exchange on increased sterling charges), besides Rx. 4,195,628 due to the automatic fall in Exchange; this is stated as a fact, not a criticism, 13,805–8. "Other Expenditure" has in the same time, apart from Exchange, fallen by Rx. 5,750,000, 13,809–12. It appears, therefore, that in the case of the services, instead of introducing economies to meet the 4 millions of additional burden due to Exchange, expenditure has actually been increased by over 6 millions, 13,813. The item of Exchange on increased sterling charges is included, because the Government voluntarily incurred that loss by borrowing in sterling, 13,816–37. The division in this table is arbitrary, but is intended to show the cost of the Civil and Military administration as apart from the other departments of Government, 13,838–46. The heavy increase in the Civil and Military Services has consumed (1) the natural increase in the revenue; (2) the decrease in "other" expenditure; (3) necessitated Rx. 3,000,000 of fresh taxation; moreover, it has caused other useful services to be starved, 13,847–61. A criticism upon the division of expenditure into Imperial and Provincial is that the Provincial Governments should bear a share of the cost of Exchange, 13,863–76. During the last 20 years the increase of net expenditure on the Civil and Military Services, apart from Exchange, has exceeded the increased cost of the sterling charges due to fall in Exchange; while under other heads of expenditure the burden of Exchange has been more than compensated by decreased expenditure, 13,886. (There is no essential difference as to figures between Sir H. Waterfield and witness, 13,887–901. But they are stated in a different form, 13,909–16.) Excluding Exchange, the increase in the Civil and Military Expenditure of 1895–6 over that in 1884–5 was more than double the increase in the period 1875–6 to 1884–5 (*chart in illustration put in*), 13,902. Description of variations, 13,903–7. Relation of Civil and Military Expenditure to total expenditure at various periods, 13,908. Description of chart (*put in*) illustrating variations of Civil and Military and "Other" Expenditure, 13,921. Part of the economy in "Other" Expenditure is not likely to recur, *e.g.*, reduction of debt and special defences; other items, *e.g.*, returns from railways, are likely to continue, 13,922–35. Further explanation of charts, 13,936–45. Since 1884–5 the burden of Exchange has been aggravated by sterling expenditure not automatic in its nature; and, therefore, the increased burden cannot be attributed to Exchange, 13,946–61. From 1875–6 to 1884–5 the ordinary military expenditure was almost stationary; since that time it has increased by 4½ millions, 13,962–3. In the later period, moreover, further special and extraordinary expenditure has been incurred aggregating 12 millions, 13,964–5. Though fall in Exchange has been a disturbing factor, increase of expenditure on Civil and Military Services has been a more important source of financial difficulty, 13,966–7. The increase of taxation from 1884–5 to 1894–5 is 5⅓ millions, or, including provincial taxation, 6½ millions, while the increase of Civil and Military Expenditure is 9 millions, 14,010–16. The expenditure due to the fall in the rupee is about 11 millions up to last year, and about 9 millions owing to the recent rise in Exchange, 14,017–20.

MORGAN-BROWNE, MR. H.—*cont.*

Some of the statements relating to debt in the Indian accounts are misleading, *e.g.*, the adding together of sterling and Rx.; the proper way would be to take the debt either wholly in Rx. or £ calculated at the rate of the time which you have in contemplation. Such a method would show a small increase in the ordinary debt, 13,968–14,009.

32ND DAY.

NORTHBROOK, THE EARL OF, G.C.S.I.—ANALYSIS OF EVIDENCE OF:

FINANCIAL ADMINISTRATION:

Experience, 14,021–2. The Financial Member has sufficient weight in the Indian Council, which is really a cabinet looking to the general interests of Government, 14,023–7. Both theoretically and practically, his position resembles that of the English Chancellor of the Exchequer, but the fact that the English budget has to be voted by Parliament constitutes a difference in the principle on which the two Governments are conducted, 14,028–31. Within witness's experience no case occurred in which the Financial Member had not ample knowledge beforehand of measures affecting finance. If he has not fore-knowledge, it must be because he has not asked for information. As regards questions of policy, he has the same opportunities of information as his colleagues, with whom his relations are very similar to those of the Chancellor of the Exchequer with his colleagues, 14,032–46. In witness's experience, the views of the Finance Member carried also sufficient weight, nor was any increase in his powers required, 14,047–8, 14,088–91. If a change has since occurred, it must be due to a change in policy, 14,049–54. The Governor-General's power is very great, not only his statutory power, but his influence, and no doubt his opinion would be likely to prevail; and, of course, if the Governor-General in Council did not agree with the Finance Member, the latter would have to give way; but such a difference could hardly occur except in a great question of policy, which would probably have been settled by the Home Government; and in that case, the Finance Member has the power of recording his dissent, which must come before the Secretary of State, 14,055–65. These dissents are no doubt liable to publication, and cannot, therefore, be expressed with perfect freedom; although, therefore, the analogy of the Diplomatic Service, referred to by Lord Cromer, is not exact, still there are probably

NORTHBROOK, the EARL OF—*cont.*
many cases in which the Viceroy would forward a confidential memorandum to the Secretary of State, either from the Finance, or any other member of his Council; but this should be done in rare cases, 14,066–9. The regulation permitting the Viceroy and Finance Member to suspend action, if outvoted, is valueless, objectionable (14,093), and unconstitutional, if not absolutely illegal, 14,070–7. The Viceroy has important powers in regard to financial questions, but with respect to his statutory powers of overruling, he must use his own discretion, 14,078–86. No expenditure initiated by any Member of Council could be carried through if the Finance Member and the Viceroy opposed it, 14,225–6.

The Commander-in-Chief is often absent from the Council, and is not in charge of any Department, 14,227.

PROGRESS OF EXPENDITURE:

Speaking generally, the increase in military expenditure during the last 20 years has mainly arisen from considerations affecting the North-west Frontier, 14,094–6. The Military Department used to be very economical, though no pains were spared to maintain efficiency, 14,097. The Military Department worked out the financial effect of proposals originating with the Commander-in-Chief, and the Finance Member would accept their calculations, 14,098–102. The Government of India have no control over the organisation of Queen's troops, and it would be impossible to allow it to refuse to pay rates laid down in the War Office regulations, 14,103–6.

APPORTIONMENT:

In the case of the Abyssinian War, it was not right to charge India with even the ordinary expenditure on her troops, 14,114. The question was not one of money, but of principle. The sum in question was only one-tenth of the total expense, but it is difficult to see what special interest India had in Abyssinia; and in fact, the Treasury recently gave away the case of Abyssinia by their decision respecting the payment for Mombassa, 14,115–20. In the case of the Perak expedition, India was undoubtedly hardly treated, and even the statutory address from Parliament was omitted, 14,121–3. In regard to Egypt, India has undoubtedly a direct interest in the Suez Canal, and she had to pay Rx. 734,000 out of Rx. 1,410,000 for the 1882 expedition. This arrangement was accepted by the Government of India under protest, and it would have been better to make them pay only half the expenses. In 1885, in regard to the Suakin expedition, though the address from Parliament was insufficient to authorise expenditure from Indian revenues after the 15th May, and therefore any such expenditure was illegal, yet, notwithstanding the remonstrance of the Government of India, India had to bear the ordinary expenses of its troops and ships. India has no interest in the Soudan, and payment by India for such expeditions, unless on an address from both Houses, is illegal. The same reasoning applies to the recent Suakin expedition, 14,124–41. The argument that no extra expense is thrown on Indian revenues would be valid if the arrangement were reciprocal; even in the Mutiny for some time at least the English Government was relieved of the cost of a large number of troops; reciprocity certainly does not exist at present in this matter, 14,142–64. Cases might arise, not only in regard to Egypt, in which Indian interests might be sufficiently involved to make it fair that India should pay half of the total charge, 14,251–3. No question of comparative wealth should be taken into consideration, 14,254. To sum up, India should be repaid her payments (600,000*l.*) on account of the Abyssinian War, the ordinary charges of the troops sent to Perak and Suakim; also 350,000*l.* in respect of the Egyptian Expedition in 1882, 14,166. Witness agrees in the main with the principle enunciated in Lord George Hamilton's Despatch of June 1896, and considers that the Government of India should be made, by a Treasury Minute, the judges of whether their interests are or are not concerned, as the questions are not of first-rate financial importance, subject perhaps to a general definition being laid down, and to the statutory power of the Secretary of State and Parliament

NORTHBROOK, the EARL OF—*cont.*
remaining intact; if this were done, the Government of India might be trusted to deal with the question in a proper spirit, 14,249–50; the same principle would apply in the case of England lending troops to India, 14,167–89. It might be possible to fix areas within which the primary payments should be made by the English and Indian exchequers respectively, leaving the ultimate adjustment according to Lord George Hamilton's principles to be settled subsequently, 14,228–35. The reciprocal arrangement would probably in practice be rather favourable to India, 14,236–7. There would be a difficulty in making a body like the Judicial Committee of the Privy Council the interpreter of the principles proposed to be laid down in the Treasury Minute, because the ultimate authority of the Secretary of State and Parliament must be left intact, 14,238–40. The question as to what expeditions are or are not beyond the Indian frontier is a matter for lawyers to decide, 14,241–4. It would not be possible to make such an agreement by Act of Parliament; and, although it need not be said that the Government of India Act has failed, yet the East India Company were better protectors of Indian revenues than the Secretary of State in Council can be, because the Secretary of State is an individual member of the Cabinet by whose decisions he is bound. Still it would not be advisable to alter the provisions of the present Act, 14,190–203. The failure to use Section 55 of the Act in the cases of Perak and Egypt would not come within the cognisance of the Indian Comptroller and Auditor-General, 14,204–17. Nor could the Viceroy have refused to send troops in the absence of such sanction of Parliament, 14,218–21. The Board of Control had the supreme direction of policy, which might involve heavy expenditure, *e.g.*, the first Afghan War, but the Board of Directors had strong Parliamentary influence which made itself felt in the financial relations of the Home and Indian Governments, 14,222–3.

With regard to the settlement of the standing charges for British troops in India, it is a matter of the utmost importance that these controversies should be determined, and some arrangement of the subject is almost a political necessity, 14,257. The capitation charge, History of the question, 14,258–63. The Commission over which witness presided, reduced the claims against India by about 1,000,000*l.* and fixed a capitation grant of 7*l.* 10*s.*, 14,269–6. The Commission did not go into the question of permanency, but the decision might hold good till some alteration is made in the establishment, or, say, for 10 years, 14,313, or till some definite change of circumstances arises, 14,316–8; the rate is arithmetically a fair one for India to pay, 14,267. The Commission did not go farther because the Government of India raised questions which the Treasury could not accept, and which could hardly have been settled by a departmental commission, 14,267–71. With regard to the plea that India should not bear the cost of a recruiting system beyond what is needed for her special purposes, no stress should in present circumstances be laid on that point, nor, so far as the effective charges are concerned, has India now strong reason for complaint, 14,272–3. As regards short service, the system, as originally proposed, was excellent, and it would not be fair for the Government of India to found a claim on extra number of recruits required, provided a reasonably economical system of recruiting is adopted, 14,274–7. Some fair allowance might be made to India on account of her being utilised as a reserve for England, 14,278–9. Some of these points might fairly be considered in view to a reduction of the 7*l.* 10*s.* rate, especially the consideration that India has spent millions for the purpose of securing British ascendency in the East, 14,285–9. By an Act of George IV. a bargain was made that the non-effective charge should be about 3*l.* per man, and this bargain should have been considered when the rates for soldiers' pensions were revised in 1861; and as regards officers' pensions in consequence of the abolition of purchase, it was very hard to charge India with the whole cost, 14,290–91. No doubt the War Office always desire to consult the Government of India about charges, but this desire is not always carried into effect. To obtain the

NORTHBROOK, the EARL OF—*cont.*
opinion of the Secretary of State would represent a consultation of the Government of India, 14,292–4. So far as details of the charges made against India go, the question has been thoroughly thrashed out by the Northbrook Commission, and their finding should be accepted, 14,295. Sir Ralph Knox argues as against equitable—as opposed to arithmetical—considerations, that the real cost to England of the troops to India is nearly half a million more than India pays under the present arrangement. But of the charges amounting to over 1,000,000*l.* sterling, which he calculates to be the real cost, over 800,000*l.* are the very charges on which the 7*l.* 10*s.* rate is based, and the remainder, consisting of departmental charges, cannot reasonably be put forward by the War Office. The latter question arose in 1874, and was abandoned, 14,296–300, 14,340–53. Explanation of differences between the figures in Sir R. Knox's memorandum and those on which the 7*l.* 10*s.* rate was based, 14,333–9. No claim can be brought against India on account of the reserves. The system is an economical one to England; and India would have to pay for any reserve men she might require, 14,301–4. For the decision of disputed points it might be well to submit a case to a Judge whose decision would probably be accepted, 14,305–12.

33RD AND 34TH DAYS.

BRACKENBURY, LIEUT.-GENERAL SIR HENRY, K.C.B., FORMERLY MILITARY MEMBER OF THE GOVERNOR-GENERAL'S COUNCIL.—ANALYSIS OF EVIDENCE OF.

Experience, 14,354–7.

MILITARY ADMINISTRATION.

Every act of any member of the Government of India is the act of the whole Government. Formerly business was referred by the secretaries in each Department to the Council as a whole; more recently, for convenience, different branches have been allotted to individual Members of Council, the growing tendency being to make each member a minister in his own Department. The Military Member is in charge of the Military and Marine Departments; he is not necessarily a soldier, though, as a matter of fact, he always has been one, because, if you want to make an army, you naturally employ a soldier. He is minister in that Department, subject to the limitations, (1) That the secretary may refer any question to the Viceroy. As a matter of fact, this power of the secretary should never be exercised, if the Military Member has any tact, 14,495–6; (2) That he may not overrule any Provincial Government without reference to the Viceroy; (3) Certain limitations imposed on all Members of Council with reference to questions involving finance. It is the special duty of the Military Accountant-General to see that these are observed, 14,496; though in very unimportant matters coming up from Controllers he is not informed, 14,497–502; (4) That the Commander-in-Chief, being also a Member of Council, may appeal against his decisions to the Viceroy in Council. This right was only exercised in one case in witness' experience, 14,514–6; generally differences are settled either by the Viceroy referring them to Council or by official correspondence, or privately, 14,517–22; (5) In common with other members, his decisions may be appealed against by any of his colleagues. With reference to the Commander-in-Chief, the Military Member's position corresponds very much with that of the old Secretary at War in England or the German Minister of War. In matters of finance, his power is peculiarly limited in respect of transfers from one head of the Budget to another, 14,411–48. All proposals for any kind of change in the Army must come to the Military Department; description of routine, 14,449. Small proposals for increased expenditure come from the Controllers in the various commands to the Military Secretary, and not to the Accountant-General, to whom they are not even referred, unless for advice. Important proposals usually emanate from the Commander-in-Chief, or possibly from the Military Member himself, and are discussed in Council, an estimate of their cost being furnished by the Accountant-General, 14,450–62. The Financial Department

BRACKENBURY, Lieut.-General Sir HENRY—*cont.*
would have an opportunity of criticising the Accountant-General's estimate, 14,463–70. All proposals involving expenditure, if adopted by the Military Member, must be referred to the Financial Department for concurrence. If the Financial Department objects, the proposal either drops or a conference takes place between the Military Member and the Finance Member, or the matter is referred to the Viceroy for submission to Council, but the latter case is rare, 14,471–8. The Viceroy acts as an arbitrator in case of disagreement between the Military Member and the Commander-in-Chief, though the final appeal would be to Council, 14,479–83. There are no parties in Council, and cases are decided on their merits. If a difference arose between the Military and Finance Members, and the former would not give way, it would be settled in Council; in witness' experience no case was carried in favour of the military view by the vote of the Commander-in-Chief, 14,484–92. In the case of the Military Member and the Commander-in-Chief opposing the Finance Member, the Viceroy would use his judgment, 14,523. The presence in Council of the Commander-in-Chief is most valuable, both in respect of military questions and questions of general administration, 14,557–9.

The Military Member, like other members, may record a dissent, and he communicates demi-officially with the India Office, 14,493–4. Generally speaking, the relations of the Military and Finance Departments depend on the personalities of the Military and Financial Members, 14,500–13. The Viceroy exercises discretion as to what matters are referred to Council, but would always so refer, if the initiating member wished it, 14,524–8. The Military Member should be a thoroughly independent critic of military expenditure; and, on the other hand, in witness' experience the Finance Department were thoroughly alive to the necessity of maintaining the efficiency of the Army; but the scale of military expenditure is really an Imperial question and in the hands of the Home Government, and is largely affected by considerations over which the Military Member has no control. His control is limited to questions of organisation. In regard to policy, in so far as it affected military expenditure, in witness' experience the influence of the Military Member has been opposed to frontier expeditions, which injuriously affect his budget. So, too, has that of the Commander-in-Chief, 14,528–37. Witness' opinion as to the unwisdom of the frontier expeditions on the north-west frontier in recent years, 14,538–45. The responsibility for expeditions, and therefore for the expenditure involved, rests primarily with the Government of India, 14,546–57. With regard to changes in the organisation of the British Army, there is no doubt but that India practically must accept them, but India might be consulted, and at least informed in time to make provision for them in the estimates. But practically, *e.g.*, in the case of abolition of purchase, India must pay for the British troops according to their conditions of service, whatever they may be, 14,558–67. Still, as a matter of courtesy at least, India should be consulted beforehand. There was one particular case in which India, without previous consultation, was obliged to accept a change in the system of drafts, which threw a considerable charge on Indian revenues for additional men, whom the Government of India did not want. The Government of India strongly disapproved and protested. The Secretary of State did not altogether concur in the protest, 14,568–90. The fact that drafts in excess of the requisitions by the Government of India were sent out unexpectedly, overcrowded the barracks in India and saddled India with expenditure of several thousand pounds a month, relieving the English estimates of the expense of men raised for general service in the Army, 14,854–74. With regard to checks on the growth of military expenditure, there was formerly a somewhat lax system as regards: (1) Spending money in the current year not provided in the Estimates; (2) Saddling future Estimates with new expenditure; (3) Want of knowledge of the Estimates on the part of the Military Member; (4) Want of knowledge by the Military Member of the effect at any given moment of expenditure sanctioned in the current year not provided in the Estimates. Steps were taken by witness to put a stop to the sanction of any new expenditure,

BRACKENBURY, Lieut.-General Sir HENRY—*cont.*
however small, without his knowledge; and also to have lists prepared, and constantly kept up, showing exactly under different categories how expenditure was progressing; copies of these lists were furnished to the Finance Department. Description of procedure under the new system. Further, a new check was imposed in regard to indents on England for stores. These improvements in the system were strongly approved by the Finance Department, 14,591-2.
With reference to Sir A. Colvin's and Sir D. Barbour's remarks about a weakness in the position of the Financial Member, Sir James Westland was unable to admit the correctness of their veiw, 14,593-602.
The Financial Department is strong enough to secure due consideration of financial dangers, but much depends on the personality of the Financial Member, 14,776-7.
The Viceroy, both personally and in Council, exercises control over military expenditure; personally, by means of consultations with the Military Member, before the matter comes up in Council, 14,603-7.
No large new expenditure can be incurred without the sanction of the Secretary of State; but the influence of the Secretary of State in Council is not always exercised in the direction of economy, even in military matters, but more especially in the case of railway construction; the present Financial Member considers that excessive expenditure upon railways is the great danger to Indian finance, 14,603-11.
With regard to military expenditure, the control of the Secretary of State has not, within witness's experience, produced any sensible economy, 14,612-5, 14,056-71. No other appeal than to the Secretary of State in Council, however, is practicable, as Parliament would be the worst possible, the House of Commons being, as a body, ignorant of Indian affairs, 14,612-43; and also it is most desirable not to bring India into the field of party politics, 14,687-8. The intervention of the Secretary of State during the first two or three years of witness's service as Military Member was too much in the nature of "nagging" the Government of India about the details of military expenditure, 14,614; his province is more particularly to determine the greater questions of policy, but his criticisms in regard to details of administration must be less effective than those of the Indian authorities on the spot, 14,644-55. The only forms in which the influence of the Indian taxpayer can be brought to bear on expenditure are: (1) Through the unofficial members of the Legislative Council, and (2) through the press. It would not at present be desirable to alter the constitution of the Legislative Council, 14,675-86. The great difficulty of increasing taxation in India has been fully recognised by the Military Members of the Governor General's Council, and they are quite willing to defer to financial considerations. The difficulty in imposing new taxation, however, arises not from the fact that taxation is the arbitrary act of the Executive Government, but from intrinsic difficulties, 14,689-712.

PROGRESS OF EXPENDITURE:
In 1884-5 the military expenditure of India was at about its lowest point. In 1885-6 there was a great increase; but since that date, but for exchange, military expenditure has remained fairly stationary, 14,358-62. Analysis of the increase in 1884-5, apart from exchange, of 2½ crores; increased pay to the native soldier accounts for about 48 lakhs out of the 2½ crores, 14,408-10; exchange accounts for another crore, 14,363-71. But between 1885-6 and 1895-6 the increase, apart from exchange, has been trifling. Illustration by military budgets of last four years, 14,372-85. The rate at which soldiers' pay is converted is fixed by the Secretary of State on the average exchange of the preceding year; the compensation rate is taken in the Budget at a rate founded on the probabilities of the coming year, and actually paid at the actual rate of the preceding quarter, 14,386-94. Both in 1894-5 and the following year the ordinary expenditure was below the estimate, but in the latter year the Chitral expedition, which cost 165 lakhs, caused an excess of 108½ lakhs, 14,395-7. The tendency was for expenditure to be in excess of estimates, until a proper system of control was introduced, 14,398-402.

BRACKENBURY, Lieut.-General Sir HENRY—*cont.*
Thirty lakhs might be said to represent the actual increase in the ordinary military expenditure during the last 10 years, 14,403-7, 14,411-9.
On the general lines it is not probable that Indian military expenditure will in the future vary greatly from its present standard, 14,714-6, 14,768-70. Home expenditure is not under the control of the Government in India, except in regard to stores, on which increased expenditure in India will probably diminish the demand upon England. Instances of economies due to manufacture in India, 14,717-24. In India itself there are some changes in organisation which are, in witness's opinion, desirable, and which would cause increased expenditure, *e.g.* (1) An increased number of British officers with Native regiments; this has not yet been taken into serious consideration; (2) An increase to the Garrison Artillery, which is not a large matter; (3) An increase in the Camel Transport, which may involve five or six lakhs a year additional expense. On the other hand there are other changes which may diminish expenditure, 14,725-34. It is not probable that there will be any diminution in officers' pay, which has recently been increased by the grant of exchange compensation allowance on account of the fall in the sterling value of their pay and allowances, coupled with some increase in the cost of living in India, 14,737-41, 14,743-67. It would be an advantage if more money could be spent at once on water supply to cantonments, &c., and India would only be following the example of other countries if she borrowed money for this purpose, 14,742. Expenditure on frontier expeditions must probably diminish in future, as the frontiers are getting settled, 14,771-5.

APPORTIONMENT:
The general basis on which payment is made by India to England appears to be that India is to pay for everything which it can be proved that England would not have to pay but for Indian military requirements. That theory appears to be altogether wrong, because (1) India has to keep a powerful field army, in addition to her garrison, 14,875-85, in consequence of British political considerations, 14,794-9, as it cannot be contended that England holds India purely for the sake of India, 14,886-95; (2) India, as compared with England, is undoubtedly a poor country; (3) India, being arbitrarily governed, the governing power ought to deal generously with her, 14,782. It is not the case that the British forces in England are a reserve available for India in all cases, 14,800-26, or that England could reduce her army but for India. So far as internal disturbances are concerned, the British forces in India are quite sufficient, 14,801-3; and it is only in the case of outside political complications that India might need extra assistance, which might not then be available, 14,800-26. It is true that England contributes by her Navy to the defence of India, but not towards the defence of the land frontier. It would be far better to sweep away *all* (14,846-8) questions of account between England and India, and let India pay a fixed contribution into the British Treasury in consideration of the services of the Navy; but nothing in respect of the service, effective or non-effective, in regard to which the military and other contributions are now paid. The contribution to be paid by India should in that case be on a fair scale, 14,778-93, and considerably more than the 100,000*l.* now paid, possibly 500,000*l.*, 14,828-30. The effect of this arrangement would be that India would be relieved of a payment represented by the present 7*l.* 10*s.* rate of about 540,000*l.*, and other existing payments, excepting a share of pensions in respect of Indian service, and deferred pay, and instead would pay a fixed contribution representing the service rendered to India by the Navy, 14,831-48. Aden and the Somali coast must be taken together; but the present arrangements, according to which India bears the whole cost, should be modified; it is, however, quite right that India should pay a share of the cost, as Aden, though no longer of importance to India alone, yet is undoubtedly still of importance to India, 14,879. India is certainly a good training ground for British troops, as was proved in the Nile campaign, 14,850.

BRACKENBURY, Lieut.-General Sir HENRY—*cont.*

Health of British troops in India.—The ravages of venereal disease in India are a desperate misfortune; and there is no doubt that there could be an efficient system of protection, if it were allowed, 14,851–3.

35TH DAY.

WATERFIELD, SIR HENRY, K.C.S.I., C.B., AND JACOB, MR. STEPHEN, C.S.I. — ANALYSIS OF EVIDENCE.

AMPLIFICATION AND CORRECTION OF PREVIOUS EVIDENCE.

Reasons which determined the close of the financial year on the 31st March, *Waterfield*, 14,898–901.

The increase of provincial taxation was for the purpose of better administration (Appendix handed in), *Waterfield*, 14,902–11. Difficulty of comparing the present and past excise taxation, *Jacob*, 14,911–4. There has been practically no increase as regards stamps, provincial rates, and registration, *Waterfield*, 14,915–8. Relations of the Provincial and Central Governments as regards alteration of the rates, *Waterfield* and *Jacob*, 14,919–22.

The Commander-in-Chief is usually, but not necessarily, a Member of Council; at all events he is not a member in the same sense as the other members, *Waterfield*, 14,923–7. Only two Members of Council can be appointed who have not served in India for 10 years, *ib.*, 14,928–30.

The practice of accounting for exchange with reference to debt, *ib.*, 14,931–4.

The general policy adopted with regard to irrigation works, *Waterfield*, 14,935–6. On the whole the irrigation policy has produced the financial results expected, *ib.*, 14,937–40. Classification of protective works as major works; possible separation in the accounts, *ib.*, 14,942–51.

Amount contributed by civil servants to their pensions, *Waterfield*, 14,952–4.

Possibility of printing a return relating to salaries and pensions referred to in Q. 10,988, *Waterfield*, 14,955–62.

In the 10 years 1883–4 to 1893–4 the increase in the gross revenue was 6,750,000 Rx, and not 19 millions; the increase has practically been about 25 per cent., *Waterfield*, 14,963–77.

India paid the whole cost of the Chinese consulates when the East India Company enjoyed the monopoly of the trade; but, now that the trade is shared by the colonies, the Indian contribution should only be proportionate, *Waterfield*, 14,978–85. India pays more than half of the Persian Mission expenses, *ib.*, 14,986–9.

For the ordinary maintenance of Aden England pays nothing, *Waterfield*, 14,990–4. England should bear some share of the cost, because of the value of Aden to her, both from the commercial, military, and political standpoint; reasons why the control of Aden should remain with the Government of India, *Jacob*, 14,995–9. England paid half the cost of the special defence works at Aden, but nothing further, *Waterfield*, 15,000–14.

The reduction in postage rates has cost the Government of India Rs. 4,80,000, *Waterfield*, 15,015–6.

The proposal for the Zanzibar and Mauritius Cable, which originated with the Government of India, was intended to provide an alternative means of communication with England *viâ* the Cape, which the present scheme does not provide; the existing scheme is not so important to India as to England, *Jacob*, 15,017–38.

Amounts spent in various years for station conservancy, *Waterfield*, 15,039–41.

Detailed charges in 1884–5 and 1893–4 on account of the Remount Department, *Waterfield*, 15,042–5. Increased charge in the purchase of remounts, *ib.*, 15,046–8.

Detailed increases and decreases in the charge for Clothing Department contributing to the total increase, *Waterfield*, 15,054–8.

The increase in the barrack charges is due to transfers from other heads, *ib.*, 15,059.

Under the head of Martial Law there has been an apparent increase owing to an alteration in the procedure for bringing to account the charges for military prisons, but really a substantial decrease, *Waterfield*, 15,060.

Explanation of the increased charge of the Medical Department, 1884–94, *Jacob*, 15,064–5. Contemplated increase in the pay of medical officers, *Waterfield*, 15,066–79.

WATERFIELD, Sir HENRY, and JACOB, Mr. STEPHEN—*cont.*

Explanation of the increased charge of the Ordnance Department in 1884–5, *Jacob*, 15,080–8.

Details of the increased charge for pensions to European officers, payable in India, *Jacob*, 15,089; and for pensions to Native officers and men, *Jacob*, 15,090–3.

Further detailed explanation of the increased charge for Regimental Pay and allowances; on the whole, exclusive of exchange, the increase in charge is less than proportionate to the increase in strength, both in respect of the European and the Native army, *Jacob*, 15,095–114.

Detailed comparison of Commissariat charges, supplies and service, 1884–5 and 1893–4; the great increase has been in Madras, owing chiefly to high prices in Upper Burma; the increased cost per head is due to increased cost of supplies, *Jacob*, 15,115–25. Explanation of the increased commissariat charges for Native troops, *Jacob*, 15,126–31. Compensation for dearness of forage, *ib.*, 15,132; and for dearness of provisions, *ib.*, 15,133–50. Increased charge in India for malt liquor due to local purchase, though there is a net decrease in the cost per head and per gallon, *ib.*, 15,151–2.

Further explanation of the increased charge for clothing, *ib.*, 15,153–8.

Calculations on which the increased cost due to increased strength was based, *Waterfield*, 15,159–164.

The capitation rate is now calculated on the War Office estimate of the numbers of British troops in India, *Waterfield*, 15,165–70.

Explanation of the low payment for effective charges in 1875–6, *ib.*, 15,171.

The Henley clause of the Act for the Better Government of India was intended to secure for officers the expectations that were held out to them by the East India Company; after various committees had reported, these expectations were more than realised, and this accounts for the increase in officers' pensions, *Waterfield*, 15,172*a*-185.

36TH DAY.

WATERFIELD, SIR HENRY, K.C.S.I., C.B. ANALYSIS OF EVIDENCE—*continued.*

Division of the non-effective Army charge for 1884–5 into the charges for officers and men, 15,188–99.

A considerable part of the reduction, but not the whole, in pensions to soldiers has been due to the short-service system, 15,200–220.

System of accounting for special expeditions, 15,221–2.

Special defence works, and special operations are separated in the accounts, 15,223–7.

The system of purchase in the old local Army, 15,227–35.

A fair comparison cannot be made between the average payment of 8*l.* per man before 1857 and the present capitation rate of 7*l.* 10*s.*, because of the variety of the charges included in the respective payments, 15,236–73.

Question of laying the Government of India's despatch of March, 1890, before Lord Northbrook's Commission, 15,274–80.

The average service in India of the soldier just exceeds five years, 15,280–319. Short service has increased the transport charge by about 40,000*l.* a year, but there is a reduction of 76,000*l.* in these charges due to other causes, so that the net result is a decrease, 15,320–1.

India bore the ordinary, and the Colonial Government the extraordinary, expense of the Perak Expedition, 15,322–3.

The Indian share of the cost of the Perak Expedition, 15,506–14.

The Auditor in India would have the opportunity of knowing that expenditure had been incurred by the Indian Government outside of India, but he probably would not report if the Act of Parliament had been infringed; the Secretary of State is responsible to Parliament, 15,515–23.

The objections of the Government of India to the present division of the charges for Indian troops employed out of India, 15,324. There is a want of reciprocity, 15,325–34, 15,340–3; as no opportunity for reciprocity has occurred for 40 years, 15,335–7.

India paid every charge, including expenses of training, of the troops sent out to quell the Mutiny, 15,338–40.

WATERFIELD, Sir HENRY—*cont.*

Circumstances under which British regiments have been borrowed from the Indian establishment, 15,341–53. In no case where regiments have been borrowed from India has the establishment been reduced, 15,354–61. There is much difference of opinion as to the extent to which the Indian Government is interested in various expeditions, 15,365–9. Charges imposed on India at the time of the Mutiny, under the then system of paying for the depôts, 15,370–6.

England pays for that part of the training which exceeds six months; but the recruiting is for the British Army in general, not especially for India, 15,377–82.

Numbers of the military establishment in India, 15,383–4.

As regards the question of the rebate, India is said to be liberally dealt with; but she nevertheless pays full value for the services which she receives, 15,385–9.

The existing life-tables for the calculation of the non-effective charges were introduced in 1887–8, 15,390–2.

The sum of 600,000*l.*, unclaimed prize money, was taken in relief of the charges on the British estimates for Chelsea and Kilmainham Hospitals, as if it belonged entirely to the British Government, whereas, had it been given to those institutions for an endowment, they would have been self-supporting, 15,393–402.

If India did not belong to England there would be a saving of half a million to both the British and Indian Governments on military account, 15,403–6.

The 72,000 or 73,000 troops that England keeps in India are kept there at the expense of India; England would have to maintain a larger Naval force in Indian waters were India a foreign power, 15,407–15.

Purposes for which the "Lawrence" was built, 15,415–6.

The arrangements made between the Admiralty and India Office with regard to docking provided for reciprocal treatment, but England only has been able to avail herself of the arrangement, 15,417–34.

Question of the duties taken over from the Indian Navy by the Royal Navy, 15,435–45.

The contribution of 70,000*l.* was made by the Indian Government for the services of Royal Navy ships as Maritime Police, and for the repression of piracy and local slave trade, 15,452.

The Royal Indian Marine ships are valuable to the Admiralty in the same way as the ships of large steamship companies, as auxiliaries, 15,468.

The Indian Navy was kept up in the later years, after the abolition of the Company's monopoly, not for the protection of the Company's trade, but for the protection of the trade of India in general, 15,469–75.

Reasons for the adoption of a special rate of exchange in calculating military pay, 15,476–88.

Rules of business of Governor-General's Council, 15,489–93.

The position and status of the Military Accountant-General, 15,494–6.

It is quite foreign to the duties of the Comptroller-General to discuss the propriety of new military expenditure to be introduced into the Budget, 15,497–8.

The cost (and Indian share) of the Indian Contingent sent to Egypt in 1882, 15,499–503.

Explanation of the deficit of 1894–5, 15,504–5.

37TH DAY.

ROBERTS, FIELD-MARSHAL THE LORD, V.C., G.C.B., ETC.—ANALYSIS OF EVIDENCE OF.

Experience, 15,524–6.

FINANCIAL ADMINISTRATION:

There is not too great a preponderance of the military element in the Council. The Military Member is a distinct check on military expenditure, and his tendency, in witness's experience, has always been decidedly towards economy, 15,547; the Commander-in-Chief is not a regular attendant at Council, 15,526–32. It would not be desirable to follow the English analogy by having a civilian to fill the position of Military Member, because the Commander-in-Chief is away from

ROBERTS, Field-Marshal the Lord—*cont.*

Council for long periods, and there ought always to be a soldier on the Council, 15,791–5. The duty of the Commander-in-Chief is to see to the welfare and the efficiency of the Army, and that money is properly expended on those objects. Proposals for small expenditure are made through the Controllers; those involving larger sums by communications from the Commander-in-Chief to the Military Department, and sometimes in personal discussions with the Viceroy or the Military Member and the Finance Member, 15,537.

The Commander-in-Chief would accept the decision of the Government on his proposals, and the opinion of the Viceroy and Finance Member would have great weight with him. In matters other than military, he would generally support the Viceroy and Finance Member, 15,537–44, 15,559. The Military Member's position is generally analogous to that of the old Secretary at War, 15,546. Though the military Secretary has a right of direct communication with the Viceroy, it is very unlikely that he would act independently of the Military Member, 15,548–57.

The Finance Member is generally anxious to meet the views of the Commander-in-Chief, so far as the general arrangements of his budget permit, 15,558. The Commander-in-Chief is in constant communication with the Viceroy, and endeavours to interest him in his proposals. Only in two instances did the witness persevere in proposals which the Viceroy did not support, 15,559. The Commander-in-Chief is the principal adviser of the Government in all matters connected with the organisation of the Army, but not necessarily in regard to military policy, 15,561–2.

The financial checks on military expenditure work very satisfactorily from the financial point of view, but they interfere with many projects for increasing the efficiency of the Army. The weakness in financial check referred to by Sir A. Colvin and Sir D. Barbour was really a difference of opinion in regard to a policy; it would not be expedient to give one Member of Council a preponderating influence. The Finance Member's power must really depend largely upon his personal influence, 15,563–76; and upon the support of the Viceroy, 15,576–9. The Viceroy would probably form his views after consultation with his colleagues, 15,580–6; who are at all times fully alive to the importance of financial considerations, 15,587–9. Expenditure was constantly being postponed, or spread over long periods, owing to financial considerations, 15,590–1. It would not be desirable to give the Finance Member a special power of appeal to the Secretary of State. He already has the power of recording a dissent, or having his opinions expressed in a despatch, 15,592–8. The Viceroy would always consult the Finance Member before committing himself to any line of policy, or change in organisation of the Army, involving expenditure, 15,509–603. There will probably be further expenditure on military railways on the north-west frontier, 15,604–5. It is a mistake to say that expeditions on the north-west frontier have increased in number of recent years. The new, and more thorough, policy ensures a more permanent good result, and will probably greatly diminish the number of such expeditions and their burden on the budget, 15,606–27.

Witness approves of the policy of depriving the Presidential Councils of the military element, 15,743–4.

APPORTIONMENT:

It is very difficult to compare the present system of recruiting with the former system. The men now sent out are assumed to be trained soldiers, formerly they were raw recruits; and presumably the Government of India are only called upon to pay the actual cost of the superior article supplied, 15,628–33. Short service must undoubtedly increase the charge for transport; and though India may gain by the reduction in passage rates, yet on the other hand she loses by the fall in exchange. As to the pension charge, witness is not prepared to discuss it, 15,634–45. India is only interested in a modified form in the reserve, and should not be called upon to pay for it, 15,646–53. It is, no doubt, possible that difficulties connected with recruiting were the reason for estab-

ROBERTS, Field-Marshal the Lord—*cont.*

lishing short service, as much as the creation of a reserve, 15,654–5. There should be reciprocity in the matter of claims made by England upon India and *vice versâ*; and the principle should be that each country should pay the ordinary and extraordinary charges of troops lent by the other, 15,656-63. India affords by far the best training ground for British troops, and this fact should be taken into consideration in assessing the charge to be borne by India, 15,656–8; though each country should pay the charge for her own defence, 15,665. India must pay her share of the charge entailed upon her by changes in organisation, resulting from the progress of military science, and the promotion of efficiency, *e.g.*, the abolition of purchase; but she ought to be consulted beforehand in such cases. If the India Office is consulted, however, no blame can attach to the War Office, 15,669–88.

Witness has perhaps a higher opinion of the capabilities of the Army in India than that which Lord Wolseley expresses. He considers it a remarkably efficient army, and, composed of a certain proportion of British and Native troops, it might be depended upon to assist the Imperial Government in many places out of India, even in Europe, 15,689.

It would be well to have some definite understanding as to the terms on which troops should be lent; and the question of the interest of India in an expedition should be referred to the arbitration of a man of high judicial standing, and not to a board of War Office and India Office officials, 15,690–707. England might reasonably bear a half (15,765) of the cost of Aden, which cannot be said to be of value to India alone. Gibraltar and Malta cannot be regarded as a counterpoise to Aden, as they were occupied long before Aden, and for the maintenance of British power in the Mediterranean. India should, however, bear her share of the cost also, 15,708–17. Cases of expeditions in which Indian interests might be involved, 15,777-90.

MILITARY EXPENDITURE:

The present organisation of the Indian Army is satisfactory, but it will have to keep pace with the times. The water supply question is one which will impose an annual charge for some time to come; the increase in the number of British officers in the native army (native officers will not answer the purpose, 15,748–51) should take the form of the formation of a reserve for the time of war, not of a permanent increase of staff, 15,718–30. The present establishment of the Indian Army should not be reduced even in respect of British officers, 15,774–5; though internal danger has been reduced by increased facilities of communication, on the other hand external danger has increased. It would, therefore, not be wise to reduce the Army, 15,731–4. It is not likely that large expenditure will be required on frontier fortifications in the future, 15,735–8. An appreciable portion of our military expenditure is caused by the fear of Russian aggression, which may be measured by the increase of the Indian Army in 1885, 15,752–60. But the greater part of that increase has been absorbed by Burma, 15,772–3.

It would not be wise to reduce the force of British cavalry in India, 15,807–9.

The encouragement given to the temperance movement in the British Army in India has probably increased its strength by two regiments of effective men, 15,766–71.

38TH DAY.

LANSDOWNE, THE MARQUIS OF, K.G., &c.

ANALYSIS OF EVIDENCE OF.

Experience, 15,810-1.

FINANCIAL ADMINISTRATION:

Both theoretically and practically the powers of the Finance Member are as complete as it is possible to make them. In no case can his position be weak, but, of course, much depends on the personality of the Viceroy, and of the Finance Member himself, 15,812–5. Members of Council in general are not unmindful of financial considerations, and do not take a purely departmental view of questions which arise,

LANSDOWNE, the MARQUIS OF—*cont.*

15,816–9. If comparisons can be made between one period and another in respect of economy of administration, the difference probably arises from the peculiar characteristics of the individuals concerned, or of the events passing at the time, 15,820. The increase of expenditure is to a great extent the natural consequence of the changing order of things, 15,821–2. The Finance Member, in common with the other Members of Council, had always free access to the Viceroy (who also learned weekly from the Secretaries how things were going on, 16,156–63); and, so far as circumstances would permit, the Finance Member would be kept fully informed at the earliest moment of any measures likely to have a disturbing effect on the finances, 15,823–30. The power to record a dissent is a very valuable one, and the Viceroy would probably go great lengths in order to avoid the necessity of the Finance Member recording a dissent; the latter, moreover, has the opportunity of having his views stated in the Despatch to the Secretary of State, and, if necessary, in a secret Despatch, not liable to publication, 16,140. Further, in an important matter, the Viceroy would communicate by telegraph non-officially with the Secretary of State, 15,845. There is no necessity for introducing a system of permitting the Financial Member, or any other member, to submit confidential memoranda through the Viceroy to the Secretary of State; such a system might cause friction. As matters stand, the Finance Member can rely on the Secretary of State closely watching expenditure and checking extravagance, 15,831–58. The question of taxation in India is full of difficulty, but not of danger, 15,859–66. The presence of two Military Members in Council does not give the military element preponderating influence in Council, because the Military Member is a potent influence on the side of economy, 15,920–2. The Military Member ought to be a soldier, as there ought always to be a soldier in the Council, and the Commander-in-Chief is often absent, 15,923–34.

No guarantee that the Financial Member will do his duty is possible, except the selection of the right man for the office, 16,112–24. The criticisms on the Budget in the Legislative Council are useful, but it would not be desirable to allow amendments to be moved by the non-official members, 16,125–32.

EXPENDITURE:

Military expenditure may be expected to increase to the extent necessary to keep pace with modern improvements; also some increase in soldiers' pay may be necessary; nor is it probable that any diminution can be expected on account of improved communications. On the other hand, so far as the near future is concerned, the scheme of frontier defence is completed; and frontier expeditions may possibly be a less recurring cause of expenditure in the future, 15,866–84, 15,911–9. The old policy with regard to the frontier tribes was that of alternate vengeance and inaction; the recent policy has been to let the tribesmen feel that it is to their interest to behave properly—*i.e.*, that they have much to expect in the way of pay for road making and other services—but only to interfere in the case of disturbances which would affect ourselves, 15,885–910. The expenditure on domestic administration is not unduly restricted in order to enable military demands to be met, though, no doubt, it would be possible to spend far more money on internal reforms with advantage, 15,935–42.

The provincial contracts might with advantage run for 10 years. The provincial system is successful, 15,943–8.

APPORTIONMENT:

In regard to home charges, the fair charge against India for the men actually supplied to her should be calculated; and then it should be considered whether the circumstances of India afford a fair ground for abating that charge, 15,949–54. The Northbrook Committee's award might be taken as a point of departure, 15,955–6. Taking the India Office pleas in turn: (1) The machinery of recruiting is not more costly than it was, but we

LANSDOWNE, the MARQUIS OF—*cont.*

pay more for our soldiers, and get a better article, 15,957–8. (2.) Short service ought not to be regarded as having been introduced for the special advantage either of England or India. It was necessitated by the breakdown of recruiting under the long-service system, and has been successful in supplying the required number of men, 15,959–65. (3.) In regard to the reserve, the home battalions are constantly drained to keep the Indian battalions at full strength. England could scarcely accept an arrangement of that kind unless she had the reserve, trained partly in India, partly at home, with which to fill up her weak home battalions in case of mobilisation, 15,966–9. (4.) India is of very great value as a training ground for the British Army, 15,970. (5.) The recruits being young, partially trained soldiers, would not be of much value to England in the case of emergency, 15,971–3. (6.) The abolition of purchase, being for the good of the British Army in general, is of interest to India, more especially as it facilitates the selection of officers for commands, 15,974. Broadly speaking, the War Office should make out such a bill against India as public opinion would regard as reasonable; then considerations, such as that Indian foreign policy is determined by Imperial considerations, that the Indian Army serves for Imperial as well as Indian purposes, and so forth—not pleas of a technical and restricted character, such as those just referred to—should be weighed to see whether they would justify any remission being made to India, 15,975–85. If India were isolated from England, she would probably not require such a force as she now borrows from England, 16,023–8; if, therefore, India were to dispense with any or all of the troops now in that country, they would probably be disbanded as being in excess of English requirements; but such a contingency would involve a recasting of our whole army system; and any argument for remission of charge against India, founded on the assumption that in such a case England would retain part of the liberated force for her own purposes, is an academical argument, 15,996–16,015. Sir Henry Brackenbury's proposal to sweep away all detailed charges, and to substitute a substantial payment by India for the services of the British Navy, does not commend itself to witness. India ought to make a substantial payment for her British troops. She would not gain much by the proposed arrangement, and would run a risk of having to pay more, if English naval expenditure were to increase largely. Moreover, it would lead to difficulties in regard to control of the ships. Precedent and tradition are in favour of the present system, 15,986–94. It would be very desirable to have a distinct understanding, and, so far as possible, rules, in regard to the loan of troops by India to England, or *vice versâ*, 16,029. There might be difficulty in Lord Northbrook's proposal to allow the Government which lent the troops to decide whether its interests are involved, 16,080–3. There would be difficulty also in defining Indian interests, unless by laying down a definite geographical area, and, if arbitration is to be resorted to at all, this is the point which it should settle, 16,030–4, 16,088–95. The arbitrating body might be a small standing commission, not a legal tribunal, 16,079, which should be called in to decide in case of disagreement between the two Governments, 16,035–47. No alteration of the Government of India Act would be necessary, nor need the arbitrators necessarily be appointed by Act of Parliament. It is true that section 55 of the Government of India Act has not been altogether successful in protecting Indian revenues, but this tribunal of arbitration would improve matters, 16,048–68. Differences regarding administrative charges might much more easily be referred to a legal arbitrator than those involving political considerations, 16,099–102.

As regards Aden, the present arrangement is fair enough, except for the charge of administering the Somali Coast, 16,103, but the fact that India pays for Aden might be a general consideration in favour of a general remission, 16,109–11. India has a right to be consulted before any changes in organisation involving increased expenditure are adopted, 16,104–8.

39TH DAY.

RIPON, THE MARQUIS OF, K.G., &c.—ANALYSIS OF EVIDENCE OF:

Experience.—Witness' evidence can only relate to India as it was 13 years ago, 16,169–71.

FINANCIAL ADMINISTRATION:

The Finance Member's position is as strong as is possible under the organization of the Government of India; but it cannot be so strong as that of an English Chancellor of the Exchequer; and it must depend greatly on the man himself and on the Viceroy and his colleagues, 16,172–6. The question of policy, however, must, in the long run, determine expenditure and, whereas in England the Chancellor of the Exchequer is selected by the Prime Minister as being of the same opinions as himself, that is not the case in India, where the Finance Minister may have been selected by a different Government from that which selected the Viceroy, 16,177–81. The Finance Member might in witness's time look to the general support of his colleagues, 16,182–6. Finance in India must always be a source of anxiety, on account of the inelasticity of the revenue and the difficulty of increasing taxation, 16,187–8. No doubt, since 1885, there has been a more "forward policy," and that might account for the different estimation of the Finance Member's position held by Sir A. Colvin and Sir D. Barbour, 16,189–92. The fall in exchange is also an important feature in the later situation, 16,193–5. The Finance Member would ordinarily have sufficiently early intimation of the intention to adopt a policy involving expenditure, but the suddenness of an emergency might conceivably prevent this, *e.g.*, the Egyptian Expedition which was ordered from Home, 16,196–202. It is not probable that the Finance Member would find support in his opposition to a policy in the Secretary of State, as it would probably have received the Secretary of State's previous approval, 16,203–6. He has the power of recording a dissent, and in important cases it is his duty to do so, and the proper constitutional way of putting forward his views; a private memorandum, such as Lord Cromer suggested, would not be on record and would disappear with the Secretary of State of the time. The Viceroy would, no doubt, state privately to the Secretary of State objections entertained by the Finance Member; but there would be no objection to the latter expressing them in a private memorandum, provided that course did not supersede the dissent; the same procedure would have to extend to the other Members of Council, 16,207–24. As a body, the Council are fully alive to the difficulties of the financial situation, though occasionally apt to trust to increase of revenue to make good increased expenditure, 16,225–8. Undoubtedly recent policy has caused an increase of expenditure, which, being coincident with the fall in exchange, has resulted in an awkward question of taxation. This is an illustration of the desirability that the Finance Department should be as strong as possible; but there are no obvious effective means of strengthening it, 16,229–36. Witness can express no opinion on the new frontier policy. Frontier expeditions are generally objectionable, though occasionally inevitable, 16,237–46. As to the presence of two Military Members on the Council, the Commander-in-Chief is very often absent, and another military man is necessary. In view of the important military questions which constantly come before Council, a civilian would not answer the purpose, 16,247–55. Civil expenditure in India might advantageously be greater, and has no doubt been kept down by other branches of expenditure, as well as by the burden caused by the fall in exchange, 16,156. The principle of provincial responsibility is right and should be extended as far as it will go, 16,157–73.

APPORTIONMENT:

The analogy of a partnership is not quite suitable to the connexion between England and India, as it is quite possible that the interests of the two countries may not be identical, 16,274–82. The principle that India should pay fairly for her share of services in which both countries are interested is the right one; but there are circumstances which

RIPON, the MARQUIS OF—*cont.*

might entitle India to favourable consideration, *e.g.*, the fall in exchange, 16,283–9, 16,418–29. Probably, if India did not belong to England, she would belong to some other European power, and would be subject to similar liabilities; therefore, the danger of her being involved in the foreign complication of England is not a sufficient argument for a reduction in the claims against her. 16,290–304. If it be the case that the War Office only receive 550,000*l.* for services which actually cost 1,100,000*l.*, that, of course, would be a contribution, but only in so far as the War Office calculation is admitted, 16,305–24 Witness is not inclined to favour Sir H. Brackenbury's suggestion that the payment for the Army should be swept away, and a larger contribution towards the Navy substituted, 16,325–6. The Indian Army is not greater than is required, and its strength is determined by the military requirements of India and by the necessary proportion between the British and Native troops, 16,327–34. The loan of troops by India to England involves, from the financial point of view, the admission that there are more troops in India than are required for Indian purposes. This argument would not apply to the temporary loan of a few battalions, but to the idea that India affords a military reserve to England, which is a dangerous mistake, 16,335–8. As to the naval contribution, there is a difficulty in tying up ships of the Royal Navy to any particular locality; but no change in the present arrangements is desirable, 16,339–48. With respect to the conditions of the loan of troops for expeditions, as India pays all the expense of troops lent by England, so England should pay all the expense of troops lent by India, and, when this has been done, the question of the interest of India in the expedition should be considered, 16,349–53. The Treasury minute (which was suggested by Lord Northbrook as a means of laying down the broad principles regulating the question of Indian interests) would be very difficult to draw, (16,358–70); but, if drawn, any doubtful points might be submitted to arbitration; no question of policy, however, should be referred to arbitration, 16,354–7, 16,430–57. Independent arbitration would be preferable to a reference to the Judicial Committee of the Privy Council in disputed cases, 16,458–60. In such cases arbitration would be preferable to leaving the question of Indian interests to be decided by the Government of that country only (16,445). Arbitration would be a good way of settling disputes upon questions of administration, and a person of judicial eminence would be a suitable arbitrator, 16,548–98. With regard to Aden, things should be left as they are, 16,399. With regard to consultation of the Indian Government, in a period of 18 years (1864–5 to 1881) a charge of 800,000*l.* was laid upon Indian revenues by petty changes of organisation in the British Army, in many instances, without India having been previously informed. The fact that the Government of India has practically no voice in such changes constitutes another claim for favourable consideration; of course, India could not demand to have a veto or even a suspensory veto, 16,400–17. The value and importance of native criticism expressed in the Legislative Council and through the Press, 16,468–74. Question of giving independent members of the Legislative Council more power, 16,474–9. Possible value of a Select Committee of the House of Commons to examine Indian Accounts, 16,478–87. Though the employment of Europeans in India is necessary for the maintenance of British Rule, the cost should wholly fall on India, 16,488–94.

40TH DAY.

NAOROJI, MR. DADABHAI. ANALYSIS OF EVIDENCE.

Experience, 16,495.

FINANCIAL ADMINISTRATION:

The administration is not conducted in accordance with the principles of the Act of 1833 and the Queen's Proclamation of 1858, which conferred upon natives of India a claim to a full share in the administration of their own revenues; the consequence has been a financial, political, and

NAOROJI, Mr. DADABHAI—*cont.*

intellectual drain on the people of India, due to the employment of costly alien officials, and the practical monopoly of industrial enterprise by alien capitalists, 16,499. The British administration has not promoted the general prosperity of the people, owing to its machinery being a costly "crushing machinery," 16,502–4. The remedies are: (1) Replacement of alien labour by native labour. About 18 or 20 millions of Rx. are annually paid to Europeans, which, so far as they go out of India, are a dead loss to that country; and, moreover, they return in the shape of capital and drain India still more in respect of interest, thereby preventing India from making capital and developing its own resources, 16,505–27; (2) Payment by the British Government of the share of the cost of the foreign labour necessary for the maintenance of British rule, 16,505; (3) The people themselves should have a voice in the conduct of their own affairs, 16,528. It is true that natives are employed now, to a great extent, in subordinate offices, but they are excluded from all the greater administrative offices, 16,529–35. There is much difficulty in extracting information from the Government of India, which, if furnished, would reveal the inefficiency of the present system, 16,536. Expenditure in England, incurred for the sake of efficiency of administration, amounts to 1*l.* 6*s.* 6*d.* per head of the population, in India to Rs. 2, 12 annas; which shows how comparatively poor the people of India are owing to the inefficiency of their system of government. If India were allowed to keep her own resources she would be quite able to raise all the money necessary for as great comparative efficiency as exists in England, though, as labour in India is cheaper, perhaps the sum required would not be so great. It is true that the retention in Indian hands of the Rx. 20,000,000 now paid to Europeans, would not immediately have the effect of making India able to bear such enormously enhanced taxation, but the economical effect would be a gradual enrichment of the country. At the same time, there is no desire to sever the connexion of India with Great Britain, which has conferred many benefits on India (16,575), 16,536–59. The witness does not desire to offer criticisms on details of administration, because the necessary information is not accessible, and also because, the whole system being unnatural, discussion on details would be useless. It is the system, and not the action of individual administrators, that is to blame for the evils of Indian administration, 16,560–3, 16,576–93. It is not essential that there should be no Europeans at all in the Indian administration, but they should be an irreducible minimum, necessary for the purposes of British rule, and, therefore, their cost should be fairly divided between the two countries, 15,566. The history of Mysore illustrates the good effects of handing over a Native state to Native rule, 16,567–74. Comparison between rates of salary paid to Europeans and to Natives; question of the statutory and provincial services, 16,594–637. Cross-examination by Sir James Peile, 16,638–17,012.

APPORTIONMENT:

(1) The financial relations between Great Britain and India should be those of partners, and not those of master and slave; (2) Apportionment of expenditure should, therefore, be based on the extent of the interest of each party and their respective capacity to pay, whereas India has been unjustly charged with the whole cost (with a few exceptions) of creating and maintaining British supremacy; (3) Law and order in India are a joint interest; therefore, India should bear all charges for internal and external protection, which she would have to bear if British rule did not exist, but she should not bear the cost of the European agency necessary for the maintenance of British supremacy; (4) The payments to Europeans in the service of India, both in England and India, should be equally divided between the two countries (17,056–7); (5) Public employment should be apportioned to British and Indians in proportion to the amount of the charge borne by each country; (6) The cost of wars beyond the Indian frontier should primarily be borne by the British Exchequer, India contributing a share corresponding to her interests involved; and a fair share of the sums already expended from Indian revenues on avowedly Imperial wars, should

NAOROJI, Mr. DADABHAI—*cont.*
be refunded to India (17,064), 17,014–9. The British Navy is an acknowledged necessity for the Imperial interests of England; nevertheless India should pay a fair share for the East Indian Squadron, and have a fair share in the benefits of the service, 17,062–3. If the whole Imperial expenditure is divided proportionately between England and India, then the united forces of the two countries might be used in any part of the world; otherwise, the expense of the employment of Indian troops should be borne by the British Exchequer, except where the objects of the expedition are common to both countries; and in that case the charge should be fairly divided, having regard to the respective capacities of the two countries; so, too, should the charge for Aden be treated, 17,072–4.
Views of the War Office and Admiralty regarding the admission of Indians to the naval and military services, 17,020–38.
A number of small and well governed Native States are in the highest degree advantageous to the political and moral development of the people of India; and if such a system were generally adopted, the result would be a strengthening of the supreme power. Illustration by the case of Mysore. Repetition of such evils as led to the annexation of Oudh would be prevented by the control of the supreme Government, though it must be admitted that that control is not always efficacious, 17,039–55.

41st and 42nd Days.

WACHA, Mr. DINSHAW EDULJI. ANALYSIS OF EVIDENCE.

Experience, 17,075–7.

FINANCIAL ADMINISTRATION:
Since 1875 the expenditure of the Government of India has been growing at a rapid pace, and the Finance Member is powerless to check it, unless supported by the Viceroy and Secretary of State; and so long as the taxpayers have no effective voice in the councils of the Empire, no retrenchment can be hoped for. Other weaknesses in the existing system have been pointed out by Sir A. Colvin and Sir D. Barbour, 17,078–90. The discussions in the Legislative Councils are not effective, so long as the members are debarred from proposing motions and deciding upon them; and of late the tendency has been rather in the direction of restricting than of encouraging expressions of popular opinion, 17,091–145. Indian opinion is strongly in favour of a Parliamentary Committee reporting each year on the Indian Accounts, and this would stimulate the Non-Official Members of the Legislative Councils to careful criticisms of financial proposals, which would take the form fo amendments on the items of the Budget, 17,146–9. The details of the Budget should be made available to the non-official members and to some outside bodies, such as Chambers of Commerce, before the Budget is brought forward. At present, the estimates (except in Bombay) are not available till a considerably later date, and are, therefore, not available for the purpose of criticising the Budget proposals, (the detailed military estimates are never published) though, of course, those of previous years are available for this purpose, 17,150. Cross-examination, 17,151–94. Members of the Legislative Council have the right of interpellation, but satisfactory answers are often not returned, nor are sufficient opportunities given for putting questions to members of the Government, 17,194–219. The revised estimates invariably exceed the Budget estimates, and the final accounts are generally better than the revised estimates, which ought not to be the case, 17,220.
Cross-examination on this statement, 17,785–803.
Exchange is at present an element of confusion in the accounts, it ought to be treated as an ordinary item of expenditure, and, at all events for the present, taken at a fixed rate in the Budget; if the amount of charge incurred is less than the estimate, the difference should be credited to a "Reserve Account," and not, as at present, utilised for remission of import duties, &c.; in the opposite event, the difference should be withdrawn from this account, 17,220–59.

WACHA, Mr. DINSHAW EDULJI—*cont.*
Provincial Contracts.—With regard to the provincial contracts, responsibility for the financial administration of the Provinces should be left principally to the Provincial Governments, the Supreme Government receiving a fixed equitable percentage, to be increased only in case of "dire emergency," which should be formally declared by the Supreme Government. It is claimed for this system that it will enable each Province to develop its own resources, while providing the Supreme Government with sufficient means to meet its expenditure, and at the same time compelling the latter to exercise the strictest economy, 17,260–312. Witness has no criticisms to offer upon the details of departmental administration, 17,313–23. There should be Indian representatives, chosen by the Members of the Legislative Council on the Secretary of State's Council, 17,822–3.

PROGRESS OF EXPENDITURE:
The year 1881–5 is, for reasons stated, taken as the standard year, and the average of the ensuing decade is taken to represent the increase, 17,324–32. In the decade the total revenue exceeded the total expenditure by only about half-a-million Rx.; but had it not been for enhanced taxation, suspension of the famine fund and encroachments on provincial balances, there would have been a deficit of about 29 millions Rx., 17,333. Explanation of the above figures, 17,334–45. This deterioration is due in the first place to the growth of military expenditure, and secondly to the growth of civil expenditure, 17,346–7. Indian public opinion considers the increase in military expenditure to be unnecessary, and representations to that effect have been made to the Government by public bodies, while remonstrances against the increase of the Army were made by the Government itself in 1878, 17,348–59. Various other suggestions for the reduction of expenditure were made to Government by the Bombay Presidency Association, and the financial embarrassments were in their memorial attributed to a faulty system of administration, 17,360–75. The specific defects, apart from the extra expenditure resulting from the employment of European agency, are, generally speaking, those referred to by Sir A. Colvin and Sir D. Barbour, which can only be remedied by the choice of economical Viceroys and Finance Members, and by giving the Non-Official members of the Legislative Council power to vote the Budget, 17,376–97. It would be better to appoint as Financial Member a well-trained financier from England, 17,398–414. The increase in expenditure since 1886 has more than swallowed up the savings recommended by the Finance Committee, 17,415. Rupee debt has increased by 11 millions, sterling debt by about 45 millions; Indian opinion is that, as far as practicable, money shall be borrowed in India, owing to the burden of exchange on the payment of interest in sterling, 17,416–35. It is true that if the money cannot be raised in India, it must be borrowed in England, and also that, if the money raised in England was so raised for the purpose of reducing existing charges, that course is not to be deprecated, 17,550–65. Indian rates of interest are higher, no doubt, but the exchange charge adds to the lower English rate, 17,566–73. In the last decade, notwithstanding Sir H. Brackenbury's evidence to the contrary, there has been a net increase in military expenditure of a quarter of a million, 17,436–43. Details of military expenditure, 17,444–55. If expenditure were incurred on measures of a nature to conciliate the people, such expenditure would be more efficacious than expenditure on the Army, 17,456. The cost of a soldier in India compares unfavourably with that in other countries, 17,457–66. In March 1894, the Bombay Association made a representation to Government on the subject of the increase in the military expenditure, which in its essential features is supported by the "Economist," 17,467–71. The total loss on State and Guaranteed Railways in the 10 years has been nearly 15 millions, or an average of nearly a million and a half Rx. a year, including exchange; but this loss is merely on the working of the railways; including interest on capital, &c. The loss in one particular year, 1894–5, was nearly Rx. 2,350,000, 17,473–4. Explanations as to these

WACHA, Mr. DINSHAW EDULJI—*cont.*

figures, 14,475–8, 14,487–501. The loss on military railways should be shown in the annual accounts as military expenditure; this expenditure requires to be looked into closely, 17,486. The most important economic disadvantage of Indian railways is that they have been almost entirely constructed by English capital and therefore the profits go out of India, 17,502, but it cannot be said that India would have done better without the railways, notwithstanding the loss incurred in working them, though it is a difficult question how much they have added to the wealth of the country or how much the people are actually benefited by the increased facilities, 17,503–35. If the capital for railways had been raised in India, the profits would have remained in the country; it is true that they might have in that case proceeded more slowly, as the same amount of capital would not have been available, 17,536–49. The salaries earned by European employés of the railways are another heavy drain on India, 17,580–2. Irrigation works have been paying their way for the last few years, but in Bengal and Bombay they are still showing a loss, possibly because they are to a large extent famine protection works, 17,583–9. The extension of irrigation should not take the shape of costly works, but of wells, in order to remedy the present deteriorated condition of Indian agriculture; such an extension of irrigation would be more valuable than an extended railway system, 17,590–621. The increases in the Civil Departments for the decade have averaged nearly Rx. 1,600,000, 17,622–44. The tour charges of the Viceroy should be greatly curtailed, as all India has condemned the migration of Government to Simla, 17,645–73. Great complaints are made as to the efficiency of the police; and if Native agency were employed in the higher grades, the police could be more economically and efficiently managed; judicial functions should be separated from executive and magisterial, and the scheme already put forward by Mr. Mehta with this object would not be costly, 17,674–89. Expenditure on education is very illiberal; Sir A. Grant thought that 2 per cent. of the revenues should be spent of education, and this minimum has not been reached in Bombay, 17,691–704. The miscellaneous charges, including pensions, &c. have increased greatly, and are a further proof of the costliness to India of foreign agency, 17,705. Less money has been spent on protection from famine than was the case in 1884–5, by an annual average of Rx. 558,849 on Protective Railways and Rx. 169,000 on Irrigation Works. The Indian public have never understood that the Famine Fund was to be available only when there was a surplus. Moreover, sound finance requires that this famine charge should be considered an ordinary recurring item of expenditure. It is also not right to charge the interest due on the capital of the Bengal-Nagpore and Indian Midland Railways to the fund, 17,706. Cross-examination, 17,707–41. Objections to the exchange compensation allowance, 17,742. General conclusions, 17,743. Cross-examination as to increased taxation, 17,744–55. Cross-examination as to increase of military expenditure as compared with the increased charge for exchange, 17,756–84. Cross-examination on statement that India "has no true surplus," 17,804–7. Cross-examination as to statement that the income of the Indian taxpayer does not exceed Rs. 27 a year, 17,808–15. Cross-examination as to statement that the net deficit has amounted since 1849–50 to Rx. 37,620,000, 17,816–18. Witness' practical suggestions are that military expenditure must be materially reduced; and that the more economical Native agency should be substituted gradually for the existing foreign agency, a fair share of the expenditure necessitated by mutual interests being borne by England, 17,819.

APPORTIONMENT:

(1.) The home charges should be apportioned on grounds of justice and equity. (2.) England should bear at least half the charge for the European agency, civil and military, required on account of mutual interests, both in India and in England. (3.) The expense of all frontier wars since the time of the second Afghan War should be equally divided; the cost of the Burma War should be refunded to India. (4.) The charges for Aden should be fairly divided between England, India, and the Colonies; and that for the Teheran Legation should be borne wholly by England. (5.) India should not be called upon to pay any extraordinary charges, unless her interests are concerned, and in that case only a moiety: and Indian interests should be confined to the natural boundaries of India. (6.) India should be treated as a partner in respect, not only to payments, but to the benefits accruing from the partnership.

43RD AND 44TH DAYS.

GOKHALE, Mr. GOPAL KRISHNA. ANALYSIS OF EVIDENCE.

Experience, 17824.

FINANCIAL ADMINISTRATION.

Whereas in England and the Colonies expenditure is controlled by the taxpayers, and is presumably solely in their interests, in India the standing claims of British supremacy entail a vast expenditure, the benefit of which goes to others than the taxpayers. No doubt this supremacy has been of great benefit to India, but the price which is exacted for it is too high. Large sums are expended on the extension of British supremacy in the East, and on extravagant privileges conceded to the British military and civil services; and the interests of British commerce and moneyed classes prevail over those of Indian taxpayers. In these circumstances a specially strong financial control is necessary, but, in fact, the existing safeguards are illusory, 17,826. No doubt the Indian Government ostensibly act in the interests of good government, but the above is the feeling of the Indian people, 17,827–9. Wars undertaken for the extension of British supremacy are frequently ordered by the British Government in opposition to the views of the Indian Government, *e.g.*, the second Afghan War, 17,830–2. In regard to other expenditure, which the Indian people consider wasteful, if there had been better control, the waste would have been minimised, 17,833. The spending authorities are the Provincial Governments, the Government of India, the Secretary of State in Council, and also the Secretary of State acting in the Secret Department under the special powers given him by the Act of 1858, and issuing orders, which may ultimately involve expenditure, 17,834–58. The controlling authorities are the same, each controlling its subordinates, with Parliament, in theory, controlling all. All this is purely official control; notwithstanding the existence of the Legislative Councils, there is no real popular control, there being no power of moving resolutions in connexion with expenditure. Criticism may be effective as a check, but it is not control. The Provincial Governments are certainly not only controlled, but crippled; but the Government of India and the Secretary of State, if in agreement (as in important matters they usually are), are practically uncontrolled, 17,859–64. The result of this state of things has been that under the Queen's Government Indian revenues have not been so efficiently protected against demands by the Imperial Government as under the East India Company, which was generally more economical than the present régime, 17,865–9. The inquiries that used to take place, when the Charter had to be renewed, were a further protection to Indian revenues. Now all financial power is concentrated in the hands of a member of the Imperial Government, who is peculiarly liable to be swayed by English influences. His Council is no real check upon him, 17,870–5. Consequently, millions upon millions have been spent on objects which have not advanced the welfare of the Indian people by one inch, (*e.g.*, in the opinion of the Indian people, expenditure on the North-West frontier) while objects of real interest to them have been neglected, as has on one occasion been represented by a member of the Legislative Council, 17,876–92. One of the principal defects in the existing system is that autocratic financial control is vested by the constitution in a member of the Imperial Government, and the absence of any constitutional power to resist or appeal against unjust demands, 17,893. Appointments to the Council of the Secretary of State

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should be made by the Crown, for a term of, say, five years; three of the members should be appointed on the recommendation of the "representative" members of the Indian Legislative Council, and the remainder should consist of, say, three Indian judges, two Englishmen who have never been in the Indian service, and two men who may, or may not, have belonged to the Indian Executive Service. This is not a scheme likely to be carried out, but it would improve the Council, 17,894–978. Subject to the, often nominal, control of the Secretary of State in Council, the Government of India can spend the revenues of India as they like in all ordinary matters; and they cannot be much interested in economy, as the departments of administration left under the decentralisation scheme in their hands, are those which demand the largest expenditure, and the Finance Member is the only member of the Government not directly interested in increased expenditure, 17,979–18,007. Neither in England nor in India is there the salutary check on expenditure of public opinion; Parliament is indifferent, and the Legislative Council powerless. The Indian Budget should be passed by the latter, item by item, the Government retaining, as at present, its standing majority. A committee of control should sit in England, to whom a majority of the Non-Official Members may state there objections to any specific item of expenditure. This Committee might be either parliamentary, or judicial, or the proposed arbitration committee; it might report to Parliament from time to time, and exercise, not a veto, but a check on the action of the Secretary of State and the Indian Government, 18,008–15. Section 55 of the Act of 1858 should be so amended as to provide that, except in the case of actual or threatened invasion, the revenues of India shall not be used for military operations beyond the frontiers of India, unless, at any rate, a reasonable share of the expense is borne by English revenues; and these frontiers should be definitely declared by Statute, 18,015–7. The members of the various Provincial Legislative Councils should each have the power of returning a member to the Imperial Parliament, 18,017–27. Viceroys should be selected from men who have distinguished themselves in finance, and their immediate connexion with the Foreign Department should cease, 18,028–35.

Provincial Contracts.—With regard to Provincial Finance, the time has come for extending the powers entrusted to the Provincial Governments, in whose hands the whole internal administration of the country lies. At present the Supreme Government secures the maximum to itself, and retains the power of disturbing the arrangements during the period of their currency. For instance, whereas in 1886–7, provincial net expenditure amounts to 12·12 crores, and in 1894–5 to 13·13; in the former year Imperial net expenditure amounted to 32·43 and in the latter to 39·61. In fact, the Supreme Government have taken from the Provincial Governments, in all, a sum of Rx. 1,800,000, which it ought to have left in their hands for the advancement of education and necessary administrative reforms; if the Supreme Government had not done this, they would have been more careful in their expenditure in order not to have to face the unpopularity of imposing fresh taxation, 18,036–93. The contracts are at present based on no fixed or intelligible principle, such as the ratio of population or revenue; the ideal arrangement would be to leave to each province a fixed 50 per cent. of its revenue, 18,094–104. The correct system of levying provincial contributions is that formulated by four members of the Finance Committee. (1) Certain departments should be Imperial, others provincial, in respect of the whole of their receipts and expenditure; (2) The necessary charges of the Supreme Government, over and above the net receipts of the Imperial departments, should be a first charge on provincial revenues, (3) to be met from provincial net receipts, before any increase is made in provincial expenditure, (4) Future growth of revenue should be divided equally between the Supreme and Provincial Governments, subject to Imperial exigencies. These Imperial exigencies should be confined to cases of "dire necessity," which should be stated

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to, and accepted as such by, the Secretary of State, after hearing anything the Provincial Governments may have to say on the subject, 18,105–38.

PROGRESS OF EXPENDITURE:

Expenditure shows a large and continuous increase since the transfer of India to the Crown, and especially since the inauguration of the new frontier policy; and India differs in this respect from other countries because that increased expenditure has, in the opinion of the Indian people, only increased the exploitation of Indian resources, retarded material progress, weakened the natural defences, and imposed indefinite financial responsibilities, 18,139. Cross-examination as to the meaning of "exploitation of resources," 18,140–84. Owing to the forward policy and borrowing for commercial enterprises, the Indian Government has no resources to spend on domestic reforms, and the capacity of the country to bear increased burdens is perceptibly decreasing, 18,185–8. In the last year before the Mutiny expenditure amounted to 30·8 crores; in the four subsequent years to 46·1; in the subsequent decade to 46·9; from 1871–2 to 1881–2 to 53·9; from 1882–3 to 1894–5 to 58·8 (all these figures are apart from exchange), 18,289–91. Explanation of tables analysing the different causes which have affected Indian finance during the period, 18,192–222. Facts in connexion with military expenditure. The ratio (35 per cent.) of military expenditure to total revenue compares unfavourably with other countries; and the charge per soldier has grown greatly. There is an excess force of 11,000 British troops, entailing an excess expenditure of 1½ crores a year; and the organisation of the Army is faulty, and thus causes needless expenditure. England reaps all the benefit of the short service system in force for the British troops; while in India the system of reserves has been inadequately carried out. The officering of the native Army by European officers is costly, and shuts out natives of India from the prizes of a military career, 18,200–21. The organisation of the Indian Staff Corps is the most wasteful feature of all, 18,221–4.

Cross-examination regarding the alleged increasing poverty of India, 18,225–330, 18,452–64.

In every department of Indian expenditure the question of agency is of paramount importance. In all the more highly paid appointments there is a great preponderance of Europeans increasing in the higher grades. This system is not only costly, but it dwarfs and stunts the aspirations of Indians, 18,331–2. The Public Works Department is overmanned; the greater part of the Royal Engineer Establishment should be employed as civil works, recruitment from Cooper's Hill College should be stopped, and the Department should be recruited from Indian colleges, 18,333–50. Argument against the exchange compensation allowance, 18,351–64. The meagreness of the Government assistance to education is one of the gravest blots on Indian administration, while in Great Britain the Government grant has increased in five years from five millions to nine millions, in India it has increased only from Rx. 889,000 to Rx. 910,000, and out of 35 millions of children of school-going age only about 4 millions are under instruction, 18,365–6. Cross-examination on these figures, 18,368–83, 18,530–9. Indian railways are not worked and constructed cheaply according to Indian ideas, and considering the cheapness of Indian labour. The main trunk lines were extravagantly constructed, and on the railways, taken all together, there is a loss; therefore there is a necessity for proceeding more cautiously, and regarding the interests of the Indian taxpayer rather than the British investor, 18,340–417.

The Famine Insurance Fund was instituted with the object of increasing the revenue, so as to avoid constant additions to the debt in consequence of periodical famines, and additional taxes were imposed for the special purpose of devoting Rx. 1,500,000 annually to the prevention of famine. Yet, a portion of this fund has been hypothecated for the payment of interest on the Bengal-Nagpore and Indian Midland Railway capital, and on more than one occasion for other purposes, 18,418–30.

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Cross-examination regarding the Famine Fund, 18,431–51.

Criticisms on the Civil Departments in Bombay Presidency, 18,465–507.

APPORTIONMENT:

The India Office charges should be divided between Indian and British revenues. The cost of the increase to the Indian Army in 1886 should be borne by the British exchequer. The whole of the ordinary debt would have been discharged but for charges unjustly thrown upon India, therefore it should be redeemed by the British Government. Burma, Baluchistan, &c. should be taken off the hands of India, and the expense of the conquest of Ceylon refunded to her. All expenditure beyond India frontiers, such as the subsidy to the Ameer, should be borne by England. England should pay a fair share of the cost of the irreducible minimum of European officers, 18,508–29.

Question of the action of Lord Elgin with reference to a memorial of the Poona Sarvajanik Sabha, 18,547–53.

46TH DAY.

BANERJEA, Mr. SURENDRANATH. ANALYSIS OF EVIDENCE.

Experience, 19,059.

FINANCIAL ADMINISTRATION.

Witness agrees with Sir D. Barbour and Sir C. Colvin that the Government of India do not pay sufficient attention to the financial results of measures, 19,060–66. Expenditure is too often governed by political considerations, over which, if the Secretary of State in Council agrees with the Government of India, there is no control, except that of Parliament, which is seldom enforced, 19,067–79. The Council of India is not an efficient check on the Secretary of State, and the existing Parliamentary control is practically valueless. The existing financial checks are, in fact, merely theoretical, 19,080–9. The utility of discussions on the Budgets in the Legislative Councils is curtailed by the want of the power to move amendments in favour either of increasing or reducing expenditure. It might be sufficient if the non-official members had power to move to reduce expenditure only; this power would focus opinions and attract public attention, 19,090–6. At present, once the provincial budgets have been accepted by the Supreme Government, there are no means of amending them, and, in the case of Bengal, according to the rules, there is, strictly speaking, no power of discussing the budget at all, 19,097–100. Answers to questions are sometimes refused, and the questions have to be put to the Secretary of State in Parliament. The practice in the Legislative Councils should be assimilated to that of Parliament, 19,101–5. Cross-examination on this point, 19,106–33. There is no reason for withholding the power of moving amendments, as Government has a standing majority. At present there is no sort of check on expenditure exercised on behalf of the taxpayers, as even in the case of legislation for increasing taxation the unofficial members are bound to be in a minority, 19,134–41. The experience of the municipalities shows how useful the unofficial check on expenditure can be, *e.g.*, Calcutta, 19,142–51. In Ceylon, if the unofficial members are unanimous in opposing an item of expenditure, witness is under the impression that the question must be referred to the Secretary of State. If, however, there is no such absolute rule, the position in Ceylon is practically the same as that in India, 19,152–9. As a further check on expenditure, three members of the Secretary of State's Council should be elected by the unofficial members of the Viceregal Legislative Council to represent the three Presidencies. It would be better still if two more were added to represent the North-West Provinces and the Punjab, 19,160–3. Further, there should be a Parliamentary inquiry of a general nature into Indian affairs every 10 or 20 years, as there used formerly to be on the renewal of the Company's charter, which were most beneficial, 19,163–85. The remedies (besides those referred to above) for these defects are (1) that the Budgets should be laid before the Legislative Council in sufficient time to enable them to be discussed effectively, and power of moving and dividing upon amendments should be given to the unofficial members; (2) a committee of the House of Commons should be appointed to look into and control Indian expenditure, 19,186–99.

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PROVINCIAL CONTRACTS.

Sketch of the growth of the existing system and it connexion with local self-government, 19,200–7. The term of the contracts is too short, and the resources placed at the disposal of the Provincial Governments are inadequate, the Supreme Government reserving too large a share for itself. The remedy is, starting from the existing basis and having no periodical revisions, if they can be avoided, to divide the normal expansion of revenue equally between the Supreme and the Provincial Governments, reserving to the Supreme Government in case of necessity the first call on Provincial revenues, over and above their share, 19,208–10, 19,260–78. The proper course, however, for the Supreme Government to take is to reduce its expenditure within the margin of its income and, in the last resort, to impose new taxation, 19,211–17. The Provincial Governments, on the other hand, should increase their expenditure, 19,218–28. In no other federal system is so large a share appropriated by the Central Government, 19,229–34. The military expenditure is too high, 19,234. Cross-examination, 19,235–58. The Provincial Governments do not get their fair share of the expansion of revenue, so that the internal progress of the country is retarded, and the quinquennial revision leads to undue dissipation of these revenues within the quinquennial period in order to prevent the Supreme Government from annexing a further share, 19,260–78. A further evil of the present system is the power of the Supreme Government to demand special contributions. This power has been extended beyond the intentions of Lord Mayo's Government, and made to apply to all cases of emergency, 19,279–82. The working of the system has given rise to much dissatisfaction in Bengal. Account of the working of the system in that Province, 19,283–307. The Supreme Government looks at the question of expenditure from the Imperial point of view; the Provincial Governments from the taxpayer's point of view; consequently, Indian opinion would like to see provincial expenditure increased, whereas the share of increased expenditure awarded to the Provincial Governments is inadequate, *e.g.*, expenditure on education, courts of law, &c., 19,309–18. If Sir C. Elliott's recommendations cannot be accepted, and periodical revisions are inevitable, the period of contract should be extended to 10 years, and the proposed terms submitted to the Provincial Legislative Councils for discussion and amendment; should the Supreme Government object to the proposals of the Provincial Government in an important matter, reference should be made to the Secretary of State, 19,318–9.

PROGRESS OF EXPENDITURE.

It may be admitted that the Indian Government is progressive, but its progress is not commensurate with the wants of the country, 19,448.

The extended employment of natives of India, combined with a contribution towards the cost of the army from English revenues, are the means whereby means may be provided for meeting the legitimate requirements of the people. History of the question of the extended employment of natives, 19,320. The recommendations of the Public Service Commission for the extended employment of natives have not been given effect to, 19,320–24. Cross-examination, 19,325–41. The organisation of the Medical Department is too expensive. Suggestion of a more economical system, 19,342–9. No serious effort has been made to train natives of India for the Forest Department, 19,349–65. The recent reorganisation of the Educational Service has given great dissatisfaction, as natives will have little or no chance of admission to the superior grade, 19,366–72. Cross-examination, 19,373–408. History of question of employment of natives in connexion with the Survey Department, 19,409; with the Telegraph Department, 19,410; with the Post Office, 19,411–13; with the Civil Service.

BANERJEA, Mr. SURENDRANATH—*cont.*

Question of simultaneous examinations in England and India, 19,414. The employment of European agency has resulted in the grant of exchange compensation, which has even been given to officers whose salaries are fixed by statute, 19,415–20. Cross-examination, 19,421–31, 19,441–47.

APPORTIONMENT.

Indian public opinion would support the view that India should pay for the native army required for the maintenance of internal peace, but for the European army England should contribute a share, which might be settled by arbitration, 19,432. Cross-examination, 19,433–8.

45TH AND 47TH DAYS.

IYER, Mr. SUBRAMANIA. ANALYSIS OF EVIDENCE.

Experience, 18,554–6.

FINANCIAL ADMINISTRATION.

There are no provisions in the Indian constitution for the protection of taxpayers, 18,559–62. Consequently military expenditure has grown considerably, though in the last decade this is mainly due to exchange, 18,563–7. Civil expenditure has also increased, and in departments which are not of direct benefit to the people; these increases have led to an increase of taxation, amounting (exclusive of land revenue) to over 7 crores; it is true that this may be partly due to increase of consumption, 18,567–8. The burden of land revenue, too, on the cultivating classes, is being increased at every revision, and it has been proposed to make revisions more frequent, 18,568–78. The accounts show a net deficit, between the years 1849–50 and 1894–5, of Rx. 37,000,000, it is true, however, that that is due to the Mutiny, 18,579–89. The surpluses which are shown are arrived at by paying out of loan money, in some years' services that ought to be maintained out of revenue, and by cutting down grants, *e.g.*, the loan of 1893–4 and the famine grant, 18,590–604. There are no true surpluses in Indian finance due to increased revenues resulting from the taxpayer's prosperity. The surpluses are in most cases due to fresh taxation, to loans, or to reduction of normal expenditure. There is no elasticity in the revenue. Since 1884–5 there has been a net deficit of nearly 3,000,000 Rx., including the Budget estimate for 1897–8. Excluding the estimate, however, there would be about equilibrium, though rather on the side of deficit. No doubt, but for the fall in exchange, which has involved an average annual extra charge of nearly 5,000,000 Rx., the result would have been very different; but, still, if expenditure had been kept within moderate limits, the result would have been far better, 19,843–61. Details of the Budgets of the last 14 years. The financial policy of the Government is a hand-to-mouth policy, leaving no margin in ordinary years to be utilised in time of difficulty. The policy of the famine insurance fund has borne no practical fruit, in consequence of its having been improperly applied, 19,862–72. The debt has increased, and railways are being pushed on with undue speed, while the famine insurance grant has not been fully provided for, 18,605. Cross-examination on these statements, 18,606–37. Notwithstanding its financial embarrassments, the Government granted a compensation allowance to its European servants, and the employment of a costly foreign agency involves a constant heavy drain on the Indian taxpayer, and impoverishes large classes of the people, 18,638–9. Notwithstanding the increase of the population, there would be no difficulty in providing subsistence for the people, if the revenue policy of the Government was more moderate, 18,640–53. Certainly the opening of new industries has been a great relief; but every foreign enterprise is detrimental, as the foreigners carry off the proceeds, and render the natives more unfit for independent enterprise, 18,654–66. Cross-examination, 18,667–715. One of the causes of the decline in agricultural prosperity is the increase in the land revenue assessment, 18,716. Cross-examination, 18,717–32. If the cultivator had capital to improve the land it would bear a larger population than exists at present, but the Government take away his margin in taxation, 18,733–9. Cross-examination, 18,740–62. The representatives of the taxpayers in the Legislative Councils should have a more direct and substantial voice in legislation. The existing checks on expenditure are the annual debate in Parliament, which is ineffective; the Secretary of State, who is an English politician in the first instance, not always inclined to economy, and is the mouthpiece of Indian officials; and his Council, whose knowledge is often antiquated. Members of the Legislative Council should be enabled to provide the requisite financial check by being given power to move amendments on the Budget (though any adverse decision should be overruled by the President, 18,767), and increased power of interpellation. Government should also consult public bodies, &c., more than they do at present. Sufficient time should be allowed to the members to study the financial statement before it is introduced, and the provincial budgets should be submitted to the Provincial Councils before adoption. The Viceroy should not be in charge of any particular department, and more attention should be paid to internal affairs, 18,763–5. Members of the Council of India should be appointed for 5 years instead of 10, and should include some Indians recommended by the elected members of the Legislative Councils, 18,766–7. Cross-examination. Parliament should exercise its control by appointing a Committee to consider the Indian Budget, 18,768–900.

IYER, Mr. SUBRAMANIA—*cont.*

PROVINCIAL FINANCE.

The expenditure of the Government of India is mostly on objects which concern only the indirect interests of the people; that of the Provincial Governments concerns their direct interests. Yet the latter are constantly being called upon to contribute to the former, and the improvement of the provinces is obstructed. The present system has been condemned by Provincial Governors. The Government of India alleges that the whole revenue of India is its "constitutional possession," and retains 44 millions, giving the Provincial Governments only 20 millions, whereas it should gradually (18,931) give Provincial Governments an equal share. Moreover, the contributions should be fixed on an equitable principle, such as that recommended by Sir C. Elliott's Committee, and backward provinces should adjust their expenditure to their income, and not depend on contributions from the richer provinces, 18,937–9. Illustration of the working of the present system by the case of Madras, 18,901–5. Cross-examination, 18,906–48. In municipalities there is great scope for development, and loans should be raised for the purpose, 18,949–57.

GROWTH OF EXPENDITURE.

It is natural that the cost of administration in any country should increase; but foreign domination is bleeding India to exhaustion. Military and civil expenditure are increasing, home charges and indebtedness are growing, railway construction is being pushed on too fast, while education is being starved, and the native ministerial officers have had no increase of salary for 20 years. Railway construction has proceeded beyond the limit laid down by the Parliamentary Committee of 1884, while the result is that there is an accumulating balance of capital yielding no return. The railways have not appreciably raised the price of produce, and cannot transport grain if there is no grain to be transported, while an undue number of Europeans are employed in working them. The increase of the sterling debt is a serious evil, the increasing amount of interest being a drain on India's means of subsistence, in addition to the drain caused by the salaries paid to Europeans, 18,963–4. Cross-examination, 18,965–19,026; 19,635–44. In the matter of compensation allowance, the interests of the taxpayers were disregarded in favour of a class of officials already in receipt of liberal salaries, considering the alteration of the circumstances since the salaries were fixed, 19,027. Cross-examination, 19,028–44. Since 1884–5 there has been an increase of taxation of 5½ millions in Imperial revenues, and 1½ millions in Provincial. The land revenue has increased in the decade from 21¾ to 25½ millions, owing mainly to increased assessments, but partly to the annexa-

IYER, MR. SUBRAMANIA—*cont.*

tion of Burma, which is unable to pay its way, and ought to be separated from India altogether, 19,045–52. With regard to the famine insurance grant, Government have recently contended that no special taxation was imposed for it, though Indian opinion maintains that the assessed taxes were pledged to this special purpose; and the Government of India have wrongfully applied the money to other purposes, including payment of interest to the Bengal-Nagpur and Indian-Midland companies, 19,449–55. Cross-examination, 19,456–558, 19,604–8. The total expenditure and loss of revenue, due to famine, has amounted in the last two years to rather over 5 millions of Rx., and the moral is that the burden of taxation on the people should be lightened, and military expenditure reduced, 19,559. The construction of railways should be limited to those which can be paid for out of revenue or out of money borrowed in India. They are only one means of averting famine, 19,560–71. Cross-examination as to the progress made by Government in dealing with famines, 19,572–634. In Madras the Education Department has suffered from the extravagance of other Departments, but the expenditure might even be reduced, if scholars were attracted to the Government Colleges by lower fees, and more natives employed on the staff. Criticisms on the administration of the Department, 19,645–88. There is no branch of administration so unpopular as the police. The men are drawn from a low class, and in Madras 16 per cent. of them are totally uneducated. In order to get a better class it is necessary to increase the pay. The cost of the force in Madras has increased, but owing to increase of strength, not of pay. Head constables are promoted from the rank and file, and it is dangerous to entrust such men with important duties. Inspectors (mostly natives) are a better class, but hardly up to the mark. The inefficiency of the force is mostly due to incompetent Europeans being pitch-forked into the higher appointments. The force is inefficient and corrupt, 19,689–731. Cross-examination. It is possible that the new system of appointing men to the higher appointments may have better results, but the competition system should be extended to India (19,757–64), 19,733–88. In the Public Works Department, notwithstanding the efforts made for the last century to extend the employment of natives, Europeans continue to be employed to an undue extent, and full effect has not been given to the recommendations of the Public Service Commission in 1886–7. Details of this complaint as regards Madras Presidency, 19,789–96. Generally, the preponderance of Europeans in the various services involves unnecessary expenditure, and increased employment of natives would also improve efficiency, 19,797–9.

APPORTIONMENT.

Witness endorses Sir H. Brackenbury's evidence on this subject. The pecuniary drain and moral deterioration involved in the Government of India by a foreign agency constitute a claim on the sympathy and generosity of the British people. British rule, though of great benefit to India, is of still greater benefit to England. The ruling country should pay in some measure for the benefit to her, and afford adequate compensation for the evils necessarily inflicted on the dependent country. England, therefore, should pay all military charges not required for the maintenance of peace and order within the borders of India; also a moiety of the salaries paid to European officers; also of the charges incurred on military operations on the North-West Frontier since, and including the second Afghan war; also the whole of the charge for the conquest of Upper Burma. When Indian troops are lent to England, England should bear the whole charge. The frontiers of India should be defined by Statute, and not extended at the cost of the Indian taxpayer. Any difference of opinion as to charges between the two Governments should be referred to the Judicial Committee of the Privy Council, 18,766, 19,800. Cross-examination. Speaking for himself and the other Indian witness, witness repudiates any desire to have the British rule in India in any degree shaken (19,833–4), 19,801–42.

48TH DAY.

JACOB, MR. STEPHEN, C.S.I., ANALYSIS OF EVIDENCE—*continued.*

PROVINCIAL FINANCE:

General—In considering the provincial expenditure, it is necessary to exclude railway revenue and irrigation accounts, because those are commercial services, and administered on different principles. Also it is necessary to take provincial and local expenditure together. In the last 20 years the yearly average of provincial and local expenditure in all the Provinces together has been Rx. 9,142,000 in the first quinquennium; 11,537,000 in the second; 12,273,000 in the third; and 13,795,000 in the fourth. The average population for each of these quinquenniums was roughly 198 millions, 205 millions, 214 millions, and 225 millions respectively, or about 12 per cent. of an increase in the last period over the first, whereas, making all allowances for adjustments, the provincial increase of net expenditure has been in the last quinquennium 38 per cent. over that in the first. In the same period the average Imperial expenditure, apart from exchange, has fallen from 31¼ to about 29½ millions, but special causes made the expenditure of the first quinquennium abnormally heavy. Taking the second quinquennium, therefore, as the standard, there has been an increase in the last quinquennium from about 27½ to about 29½ millions or 7·7 per cent. Comparing the net provincial expenditure in the second and last quinquennium, the increase has been about 19½ per cent. Exchange compensation only comes into the last quinquennium, but its amount is proportionally about the same in both Imperial and Provincial expenditure. These figures appear to show that the Provincial Governments have had their full share of the increase in the revenue, 19,873 – 902. It must be remembered also that a considerable part of so-called Imperial expenditure is in reality provincial expenditure; and that consequently the comparison with Germany is not altogether sound, 19,934–51. Excluding increased taxation imposed for special Imperial purposes, Imperial expenditure has not increased at all, whereas provincial expenditure has increased by nearly 20 per cent. 19,903–8. The Indian Government would not hold that the increased provincial expenditure fully meets the legitimate demands of the Provinces, but only that it is a fair share of the available revenue, 19,909–12. With regard to the differing rates of increase in the different Provinces, the aim of the Government of India is to secure not so much uniformity as equality of advantage, 19,971–2. The original contracts were made on the basis of existing facts with a view to gradual development of provincial resources and expansion of provincial expenditure on useful objects, 20,050–3.

Bombay.—The figures include all provincial and local charges, except (1) Direct demands on revenue (taken as reductions of revenue); (2), Commercial services; (3), Ecclesiastical and other charges (only provincial during part of the period), 19,915–24. The increase of the fourth quinquennium over the first is 30·9 per cent. Details thereof, 19,924–33. In Civil Departments the increase is 22 per cent., 19,955, and in Public Works, 23·6 per cent., 19,968. The provincial share of the total revenue of the province has increased from 22·6 to 23·9 per cent., 19,959.

Madras.—This province came under the extended provincial system later than the other provinces, and comparison with other provinces can only be made for the last three quinquenniums, 19,956. The percentage of provincial revenues assigned to this province has increased from 27·7 to 29·8 per cent., 19,961. The average total increase in provincial expenditure in the last as compared with the second quinquennium is 23½ per cent., 19,970. In Civil Departments the increase is 26·8 per cent., 19,965, and in Public Works, 22·6 per cent., 19,968.

Bengal.—In this province the increase in provincial expenditure in the last as compared with the first quinquennium has been about 25 per cent., 19,969.

Education.—Under this head there is an increase in Bombay of 58 per cent. (20 years), in Madras 45 per cent. (15 years), and in Bengal 44 per cent. (20 years). The increase has been, perhaps, greater

JACOB, Mr. STEPHEN—*cont.*
than that under any other head of service, but the starting point was certainly low, and the Government of India do not profess to think that the scale of expenditure is in every case adequate, but only that it must be proportionate to the means available. India is not yet in a condition for the adoption of a system of general education; but expenditure in India now is far in excess of what it was in England before the adoption of that system, and full advantage is not taken of existing expenditure, 19,973–90.

Law and Justice.—Except in Bombay, where the circumstances were exceptional, expenditure on courts of law has kept pace with the requirements of the increasing population; and it is doubtful whether the Government of India would incur much extra expenditure under this head, even if they had more ample means, 19,991–4.

Civil Buildings and Roads.—There is undoubtedly room for almost unlimited increase under this head, and the Government of India would, no doubt, utilise their resources in this direction as far as possible, 19,995–20,002.

Quinquennial Contracts.—Sir J. Westland's and Lord Elgin's arguments for the existing system, 20,003. The Government of India regard the quinquennial system not only as expedient for administrative purposes, but as a question of financial principle. They now have under consideration a scheme for separating certain classes of expenditure, *e.g.*, education, medical, public works, &c., and making for them a fixed and permanent grant, any addition to which would be derived from local taxation; or possibly a fixed permanent assignment. The smallness of the assignment would free it from the objections to which a more general permanent assignment would be liable. The Provincial Governments have, as a fact, gained by the existing revisions. As to the "shearing" of Provincial Governments on revision, pressure is constantly brought to bear on those Governments by their own officers to undertake every sort of expenditure, and, when they are arguing with the Supreme Government for an increased assignment their position is totally different from that which they adopt in meeting the arguments of those officers. Too much weight should, therefore, not be attached to their arguments in this sense. As a fact, there has been a steady increase in Provincial assignments in excess of the ratio of increase of the Provincial revenues; and Sir C. Elliott was able to look back upon a substantial array of administrative improvements during his period of office, 20,003–20,043. There is a slight tendency to excessive expenditure in the last year of the quinquennium, but not to any important extent for the purpose of getting better terms under the next contract, 20,044–9.

EMPLOYMENT OF NATIVES.
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JACOB, MR. STEPHEN—*cont.*
In the Executive and Judicial Departments a Provincial Service has been established, including 95 appointments previously reserved to the Covenanted Service. The new service is practically a native service. This is the cadre to be gradually attained. In the whole executive and judicial service there will eventually be 850 covenanted civilians, 156 provincial service officers, besides 1,500 or 1,600 other native officials on salaries ranging from 250 to 1,000 rupees a month, *i.e.*, about two natives to one European. The objection to the scheme is chiefly a sentimental one; the pay is much the same as that of the old statutory service. Though the majority of the highest appointments are still held by Europeans, the holders of the 95 listed appointments are eligible for them, 20,055–107.

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The number of natives employed in posts carrying pay of Rs. 250 per mensem and upwards were in 1877 (excluding Madras and Bombay) 752, or probably including those provinces about 1,000 (20,136); in 1887 (including Madras and Bombay) 1,629; in 1897 (including Madras and Bombay) 2,110. Tables illustrating these figures, 20,132–42.

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INDIAN EXPENDITURE COMMISSION.

MINUTES OF EVIDENCE.

31st to 48th DAYS.
Q. 13,724 to 20,909.

At the India Office, S.W.

THIRTY-FIRST DAY.

Wednesday, 27th January 1897.

PRESENT:

THE LORD WELBY, G.C.B. (CHAIRMAN, PRESIDING).
The Right Hon. LEONARD COURTNEY, M.P.
Sir WILLIAM WEDDERBURN, Bart., M.P.
Field Marshal Sir DONALD STEWART, Bart., G.C.B., G.C.S.I.
Sir E. W. HAMILTON, K.C.B.
Sir RALPH KNOX, K.C.B.
Sir JAMES PEILE, K.C.S.I.
Sir ANDREW SCOBLE, K.C.S.I., Q.C., M.P.
Mr. G. L. RYDER, C.B.
Mr. T. R. BUCHANAN, M.P.
Mr. DADABHAI NAOROJI.
Mr. R. G. C. MOWBRAY.

Mr. COLIN G. CAMPBELL, *Secretary.*

Mr. H. MORGAN-BROWNE, late Secretary of the British Committee of the Indian National Congress, called in and examined.

Mr. H. Morgan-Browne.

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13,724. (*Chairman.*) Mr. Morgan-Browne, you are secretary to the British Committee of the Indian National Congress, are you not?—I was secretary.

13,725. And you come here specially to speak upon the note on the Indian Finance Minister's Budget, which has been sent round to us by Sir William Wedderburn; and which will form the subject of your evidence?—Yes. There was also another paper, a memorandum on Indian financial expenditure, which was printed in the Appendices.

13,726. That is what Sir William Wedderburn calls the first note, is not it?—No, it is a memorandum distinct from either of the notes. Perhaps I might say that the notes that I am referring to are Note No. 1, on Mr. Westland's Budget, 1894-95, Note No. 2, on Sir James Westland's Budget the following year; a memorandum on Indian financial expenditure.*

13,727. Which is already in the Appendix?—Which is already in the Appendix.

13,728. (*Sir William Wedderburn.*) I think, Mr. Morgan-Browne, you prepared these memoranda under the instructions of the Committee?—That is so.

13,729. And your object was to analyse and arrange the official figures so as to make them as intelligible as possible?—Yes.

13,730. And you came to certain conclusions?—Yes.

13,731. And these general conclusions are stated in a memorandum of proposed evidence which you handed in to the Secretary, and which has been circulated to the Commission?—The main conclusions are there stated; yes.

13,732. The Note No. 2 to which the Chairman has just referred is in amendment, to a certain extent, of Note No. 1, with reference to the criticisms made upon it by Sir James Westland in the Legislative Council at Calcutta, I think?—I should rather describe it as in continuation. There were one or two amendments, certainly, which I made in reference to criticisms which Sir James Westland passed on the first note, but strictly speaking it takes a different period, and really is a separate document to Note No. 1.

13,733. And the memorandum of expenditure dated the 26th June 1895, which you have just mentioned, is an analysis, I think, of 20 years of expenditure?—Yes, an analysis of expenditure on the basis of net expenditure, following to some extent the return which Sir Henry Fowler has now moved for two or three years in succession in the House of Commons on Indian expenditure, and based very largely upon that form of putting the accounts.

13,734. And there is also one more printed paper, dated the 12th August 1895, a note on Sir Henry Waterfield's memoranda?—Yes; that was the note which you put in at the last meeting of the Commission.*

13,735. And you are prepared to undergo cross-examination upon these papers in order to show the source from which you obtained your facts and figures,

* *See* Appendices Nos. 10, 11, and 12, Vol. II. First Report.

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and to give the reasons for the conclusions which you have summarised?—Yes.

13,736. That is your position?—That is exactly my position.

13,737. I will take in the first place Note No. 2, and if you look at the beginning of that note I will ask you a question with regard to the first four paragraphs of that note. I think that that refers to certain criticisms which Sir James Westland made upon Note No. 1?—Yes.

13,738. Would you state the point?—In the first note Sir James Westland said there was one gigantic blunder which appeared in the very first page of it, meaning that there was a certain amount of the charge for exchange which did not appear in the proper exchange column, and had not been taken into account in deducting the exchange from the total expenditure, and that to that extent the figures were wrong. That would be so. In the first note account was not taken of exchange compensation allowance, and of the additional cost of exchange caused by the fact that the pay of the British troops is in sterling; but I should like to point out that that mistake, so far as it is a mistake, arose from the form in which the accounts are published and presented to Parliament, and that it was a mistake into which Sir James Westland himself on a former occasion had fallen. At paragraph 4 of this note, I there explain that at page 8 of the financial statement of the Government of India, for 1888-89, is a table which was submitted to the Viceroy's Council by Sir James (then Mr.) Westland, when introducing a Bill to provide for the levy of a customs duty on petroleum; and in that table he there gives these figures, showing the net army expenditure, excluding exchange at so much in different years. But in that account he had left out of account the fall in exchange on the sterling pay of the British troops. It did not affect materially one way or the other his argument. I am only instancing this to show how easy it is for experts to fall into error on this point of leaving out exchange, by reason of the fact that the exchange column in the accounts does not represent the whole of the cost of exchange in the Government of India accounts. In this second note, I may say that I have been very careful to avoid any possibility of such error, and that every possible form of exchange—except such forms as may arise from differences of price and small matters like that, which cannot be traced, but every legitimate form of cost of exchange—has been separated from the total expenditure, and shown separately.

13,739. Then paragraph 7; will you explain to the Commission why you selected the year 1888-89 for the purpose of comparison?—Because in criticising that note No. 1, Sir James Westland said that we had misunderstood his argument. His argument was that he admitted an increase of military expenditure, but pointed out that it had its origin before 1888, in the charges which were necessitated by the increase of the troops for Upper Burmah. Therefore I took that date as being a convenient one, because at that time the charges for the extra troops would already have come into account, and therefore I took 1888 as a fair starting year of normal expenditure under the new order of things with regard to the increase of troops.

13,740. Then will you look at paragraphs 6 to 10, and state what the objection is to the comparisons made by Sir James Westland, based upon conversion into sterling?—Sir James Westland took the accounts of the Government of India for a series of years, and reduced them all into sterling, and by that means was able to show an apparent decrease in Indian expenditure. The reason was pretty simple, because 500,000,000 of rupees at the beginning of this series were worth more in English money than 650,000,000 of rupees now are, so that even an increase of 150,000,000 of rupees in the expenditure of the Government of India, would appear in the sterling table as an actual decrease in expenditure. In paragraph 10 of this note I showed what the effect of such a system would be upon Imperial expenditure—meaning English expenditure—and also of treating the National Debt, and I show there how, if we were to take Imperial expenditure and translate it into a currency which was not the currency of the country, subject to this variation in exchange, and then re-translate it back, we arrive at contradictory results, and that a slight increase of some 4,000,000*l.* in our Imperial expenditure during 10 years would have become an increase of 22¾ millions, and a decrease in the National Debt of 18 millions sterling during the last 10 years would have been converted into an increase of not less than 110½ millions sterling. I did that to show the fallacy of the table published by Sir James Westland, which would naturally come before the public, and lead to the belief that actually the increase of Indian expenditure was purely illusory, and that the Indian Government were really spending less and taking less from the people than they were formerly.

13,741. This illustration in paragraph 10 is a *reductio ad absurdum* of the argument by which Sir James Westland tried to prove the great economy of this Indian Government?—Yes.

13,742. Then paragraphs 11 to 13; I think that you take certain objections to the form in which the accounts are presented to Parliament, and will you state the reasons for preparing Tables 1 and 2, shown in pages 6 and 7, in the form which you have adopted?—The chief objection, I thought, to the form of presenting the accounts to Parliament is that gross expenditure is shown, which includes a great deal of railway expenditure.

13,743. For commercial services?—Commercial services. That was one of the chief differences—a difference of 25 millions it makes. The Government of India have, for a long time, published, along with their gross tables, net tables, but the net tables deduct the charges for the cost of collecting the revenue. My own idea as to presenting the accounts of a Government is, that every penny of taxation taken from the people should be shown on the revenue side, and, of course, every penny expended should be shown on the expenditure side, and that, therefore, the charge of collecting the revenue should come into the expenditure side; but that where there are commercial services, and where they do not involve an actual burden upon the people, but are merely money paid for services rendered, which might have been done by a trading company instead of the Government—that there only the net results of the enterprise of the Government should be shown. This was also the form of table adopted by Sir Henry Fowler in his return, and I have followed that very closely, except in some small matters of detail, with which I need not now trouble the Commission.

13,744. (*Chairman.*) Which table do you mean Sir Henry Fowler adopted—the gross table?—No. Sir Henry Fowler made a new table of his own entirely.

13,745. Based upon the net expenditure?—Yes, based upon the real net expenditure.

(*Sir Edward Hamilton.*) It was based on the lines of his annual return.

13,746. (*Sir William Wedderburn.*) I think the British Committee brought this matter to Sir Henry Fowler's notice, and begged that such a change should be made?—No, I think Sir Henry Fowler had already made his return, and the British Committee submitted to Sir Henry Fowler certain criticisms on that table. The criticisms are contained in the appendix to this Note No. 2, Appendix A.

13,747. And that Appendix A. you consider is a correct statement?—No, there is a further correction I should suggest in that, and one which, I think, the India Office are making themselves, and that is that the cost of collecting opium ought not to appear as expenditure—that the opium revenue ought to be expressed absolutely as net—because the cost of cultivation is there not a burden upon the people in any way—it is not like the collection of the land revenue, or the collection of stamps, and it is really a commercial service.

13,748. (*Chairman.*) Do the India Office propose to make this correction in what you describe as the net tables?—Yes, their tables are practically the same, I believe, as this one, or rather this one is practically the same as theirs.

13,749. Therefore the net table which they present, modified as you think they are going to modify it, would practically coincide with your view?—Practically.

13,750. (*Sir William Wedderburn.*) Then paragraphs 15 and 16; I think these contain an analysis of Tables 1 and 2. Will you just state what the point of that analysis is?—These tables are a comparison of the expenditure in 1888-89 with that in the estimate of 1895-96. It is shown there that the total increase in expenditure during those years was eight crores. That

increase was made up of 1½ crores in the cost of collecting the revenue, a decrease of half a crore in the Debt services, an increase of nearly four crores in the Civil Service, including Civil Departments, miscellaneous charges, and building of roads, an increase of over five crores in the Military services, a decrease (that is, an improvement, really) of a quarter of a million on the whole of the Commercial services, including the Post Office and Telegraphs, the Mint, the Railways, and the Irrigation. That was another minor criticism which I made in the tables of Sir Henry Fowler, that if you have a heading "Commercial Services," it ought to appear either on one side of the account or the other. In Sir Henry Fowler's tables there is a heading "Commercial Services" on the expenditure side and a heading "Commercial Services" on the revenue side, because some of the Commercial services are paying and others are not paying. I suggested that if we have that heading, the net result of all the Commercial enterprise of the Government of India should be stated on one side of the account or the other, and it is following that that I have put this heading here—"Commercial Services." The special services and administration were practically the same. In Special Defence there was a decrease of half a crore, and in the provincial surplus or deficit there was a nominal improvement of nearly a crore. That made up the total increase of eight crores.

13,751. Then paragraphs 17 and 18; these deal with the important question of loss by exchange. Will you explain upon what ground you make a distinction between what has been called automatic loss by exchange and voluntary loss by exchange—that is to say, voluntarily incurred loss by exchange—and in what points you differ from the view held by the Government?—There are four principal means by which loss by exchange becomes a charge upon the expenditure of the Government of India. The first is that due simply to fall of exchange, where 1*l.* of sterling expenditure, which in one year, say, would have cost 12 rupees, in another year will cost 13 rupees. Then again there is increase of cost of exchange due to the increase of the sterling charges, where 1*l.* 10 years ago cost 12 rupees, then in 10 years' time, perhaps, there will be 30*s.* of expenditure to represent that 1*l.*, and that, perhaps, again, by an increased rate of exchange, say, at 14 rupees, will add much more than the mere loss due to the fall in the exchange, because there will be the additional cost of exchange due to the increase in the sterling charges. Then there is the cost of exchange due to the fact that the British troops are paid in sterling. And then there is, lately, in the last few years, the cost of exchange due to exchange compensation allowance. Of those four classes of exchange, in my opinion, only the one due to the fall in exchange on the sterling expenditure as it was in the past, and that due to the fact that the troops are paid in sterling, constitutes automatic exchange. That is what is really due; whatever the Government may do, that exchange will go on increasing if the rupee continues to fall in relation to the 1*l.* The exchange compensation allowance, however necessary it may be, was a deliberate act of the Government of India, within their control. It may be necessary—I am not suggesting otherwise, or disputing the policy, I am only saying that, as a matter of fact, it was a voluntary increase of the burdens of the Government of India. Again, the increase on cost of exchange, which is due to increase of sterling charges, is almost entirely—there are some exceptions, perhaps—a voluntary increase on the part of the Government of India. In referring to exceptions, I mean certain schemes of pensions which were begun years ago, and which Sir Henry Waterfield explained must go on increasing—these would naturally fall under the heading of automatic increase of exchange; but, except for that exception, those headings where the increase in the cost of exchange is due to increase in the sterling charges, and where it is due to exchange compensation allowance, I should call a voluntary (however necessary) increase of exchange by the Government of India, and not to be classed in the same category as that which is due to the fall in the value of the rupee.

13,752. Therefore the Government of India, on account of what you have called the voluntarily incurred loss, cannot complain that this was entirely outside of their responsibility, and that they could not have foreseen it. As I understand, you think that they might have foreseen it, and could have provided for it?—I think this—where they are going to increase, say, the sterling charges, however necessarily, they should take into account at the moment the probable increase of exchange on those sterling charges, and that they ought not, therefore, to say that it is the cost of exchange which has swelled the increase so much, and that in the same way, with the increase in exchange compensation allowance, it should not be called due to exchange, but should be classed as an increase of expenditure, to be defended as such.

13,753. (*Sir Andrew Scoble.*) Is it not merely a question of book-keeping?—Not entirely, because it becomes a question of policy—in the one case it is all thrown on to exchange, and the public over here regard that, therefore, as in no sense the fault of the policy of the Government of India, whereas, in the other case, if it is calculated as an increase of expenditure, then it becomes a question to consider whether the expenditure was justified or not. It seems to me to make a material difference from the point of view of the financial management of the Government of India.

13,754. Assuming that the increase in the sterling charges was inevitable, is not it a mere question of book-keeping whether you charge the exchange under one head or under another? Accepting the distinction you propose, it is an increase in exchange, whether it is automatic or voluntary?—Quite so; it would not make any real difference even in the book-keeping. This note was drawn up to contest the statement of the Government of India that their financial difficulties were due to exchange and exchange alone, and I am saying that at any rate some portions of the exchange were not properly due to the fall in the value of the rupee, but were due to the deliberate policy, however good and desirable, of the Government of India, and that, therefore, they are estopped from saying that it is exchange which is responsible for this particular increase in their charges.

13,755. Yes, but my point is, assuming the increase to be necessary and unavoidable, it really does not matter under what head you put the increase by reason of exchange, whether you attribute it to voluntary or to automatic causes, does it?—It would not make any difference.

13,756. It really resolves itself into a question of policy in the first instance, and the rest is mere account keeping; is not that so?—It makes a great difference. If the Government of India think it necessary to plead exchange, it is necessary that that plea should be perfectly valid right throughout.

13,757. (*Sir James Peile.*) But if the rupee had not fallen there never would have been any compensation allowance at all?—That, I presume, would be so.

13,758. Then the compensation allowance is entirely due to the exchange and nothing else. It is not to carry out any measure of the Government of India of an administrative kind; it is simply to fill the gap caused by the fall in the rupee?—It is due to it, but not necessarily due to it.

13,759. Certainly, as a matter of policy, it is necessary to fill up that loss?—If they have got to pay interest on the debt and the rupee falls, the increase in the interest is necessary because of the fall in the rupee, but where they had not before exchange compensation allowance, if they impose it because of the fall of the rupee, it is true it is due to it but not necessarily due to it.

13,760. The Government of India consider that it is necessary; you get there to a question of policy?—Quite so; then, as I say, it is an increase of expenditure to be defended as such, not to be put down merely as the operation of exchange. That was my point.

13,761. I do not see that in the accounts it is any use making a distinction?—I do not suggest that you can make a distinction in the accounts; I am only suggesting that the explanation given by the Government of India as to their difficulties being entirely due to the operation of exchange is not absolutely correct.

13,762. I think it is, decidedly.

13,763. (*Mr. Courtney.*) You want to bring out the point of difference between what is within the discretion and what is not within the discretion of the Government of India?—Quite so; yes.

13,764. Although the distinction may be influenced by circumstances that they could not as reasonable people avoid observing and complying with?—Quite so.

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13,765. For instance, if they engaged to pay a man 100*l.* sterling, the additional number of rupees they may have to pay him in India is not within their discretion?—Quite so.

13,766. But if they engage to pay the same man 1,000 rupees, it is within their discretion whether they increase it or not?—Entirely.

13,767. Although their discretion may be influenced by such circumstances as a reasonable man could not fail to observe?—Of course.

13,768. (*Chairman.*) You are admitting the plea of the Government of India that a great part of the increase of expenditure is due to the fall of exchange, and is automatic, but you want them to amend their plea by noting also those items which you contend are in the discretion of the Government?—Quite so.

13,769. It is not a question of altering the account, it is a question of the correctness of their plea that a large part of the increase is due to fall in exchange?—Entirely.

13,770. (*Sir William Wedderburn.*) That is as regards the compensation allowance—that is to say, as regards the Army it is the case that as to the charges for men your argument does not apply?—Except in so far as the increase of the Army in 1886, or 1885, added to the sterling pay of the British troops. That is purely a question of policy.

13,771. (*Sir Andrew Scoble.*) That is policy again?—Quite so.

13,772. (*Sir Ralph Knox.*) But the argument is different as regards the officers from what it is as regards the men?—Quite so, because I understand the contract with them is to pay them in sterling.

13,773. (*Chairman.*) You are not questioning the policy; you only want to make a distinction between the two classes of Indian expenditure—that over which the Indian Government have no control, and that over which they may have control?—Quite so.

13,774. You do not condemn them for that policy?—I am not questioning the policy in one form or another.

13,775-6. (*Sir James Peile.*) I should like to put it in this way: that the exchange compensation was not automatic, but it also was not avoidable?—That is a question of policy, which I am not discussing.

13,777. (*Sir William Wedderburn.*) What was exactly the plea—was it not that the financial difficulties were entirely due to exchange. What was the exact plea that the Government of India put forward?—I think it will be found in Note No. 1. I have quoted there from Mr. Westland. Mr. Westland at that time stated in his speech, on the introduction of the Tariff Bill in the Viceroy's Council on the 1st of March last—that would be in 1894——

13,778. (*Chairman.*) Are you reading from Note No. 1?—Note No. 1. It is the first paragraph. I merely quote—"he attributed the estimated deficit of "Rx. 3,500,000 on the Indian Budget for 1894-5 to "'one cause, and one alone,' namely, Exchange. More "particularly he stated that 'the fall in the value of "'the rupee has of late been increasing the burden "'of our sterling payments in a ratio which far out-"'strips any possible increase to be hoped for in our "'revenues.'"

13,779. And your note comments upon that statement by saying, "It appears, therefore, that the Government "of India, speaking by its Finance Minister, maintains "that loss by exchange is the sole cause of the present "financial difficulty"?—Yes.

13,780. (*Mr. Mowbray.*) Is that a quotation?—Part of it was a quotation.

13,781. "One cause, and one alone"?—That was a quotation.

13,782. That relates to the estimated deficit in that particular Budget?—It was so on that occasion, clearly he was speaking to one Budget.

13,783. (*Sir Andrew Scoble.*) What year was that?—That was in 1894—the 1st of March 1894; but, of course, that is one isolated instance. Nearly every year for the last five or six years Indian Finance Ministers have made the same plea, that exchange, and exchange alone, is the cause of their financial difficulties.

13,784. (*Sir William Wedderburn.*) And I think that plea has also been regularly put forward in Parliament at the time of the Indian Budget statement?—As far as my experience goes, that is so.

13,785. The British Committee of the Indian National Congress have brought this point to the notice of the Secretary of State formally without these arguments being recognised or replied to, as far as you are aware?—Yes.

13,786. Will you look at paragraph 19 and explain the object for which Table 3 has been prepared?—This table was prepared to show how the separation of exchange into different classes would affect the matter. Table 3 at page 10 of Note No. 2 breaks up the increase in the expenditure of the Government of India between the years 1888-89 and 1895-96 in the following manner. It divides the expenditure into civil and military expenditure, including thereunder collection of revenue, civil departments, miscellaneous charges, and civil works, and the army services and military works in one block of expenditure, and in the other block it places all other expenditure of the Government of India—the Debt Services, the Commercial services, the Special Services, Special Defence, and change from provincial surplus to deficit. The result is this: that during those seven years in the expenditure on civil and military services, the total increase, excluding exchange in any shape or form, was Rx. 5,429,000, and in "other expenditure" there was a corresponding decrease of Rx. 5,771,000. In the cost of exchange on the first half there was an increase of 2¼ millions due to the fall in the exchange value of the rupee, and Rx. 654,000 due to the sterling pay of the British troops. Exchange compensation allowance cost Rx. 1,300,000, and the increase due to an increase of 1,000,000*l.* in the sterling charges during those seven years is Rx. 848,000. Therefore the total increase in civil and military expenditure in any way due to exchange was five millions, bringing up the total increase in that portion of the expenditure to 10½ millions. Then on the other hand, in the other portions of expenditure there was a total increase of exchange under these three heads of Rx. 3,365,000 against which there were savings of 5¾ millions, so that in spite of that heavy cost of exchange on all the other branches of expenditure there was a net saving, a net improvement on the financial position, of Rx. 2,406,000, and that being set off against the heavy increase of Rx. 10,473,000 produced a net increase in all expenditure of Rx. 8,067,000, as shown in Table 3. The further object of this division was to show that under certain heads of expenditure, either by good management, by economical control, or by good fortune, or by some savings, for instance, in reducing the Famine Insurance Fund, there were made sufficient savings in expenditure to more than cover the cost of exchange; therefore reducing the real burden of the increased cost of exchange to that which fell upon the civil and military expenditure of the Government.

13,787. Therefore, in certain departments, they were able to meet the fall of exchange, the loss by exchange, while in other departments they not only failed to meet in their own departments the loss by exchange, but they consumed the savings of the other departments and the whole of the increase of revenue that had accrued during the period?—That is so, including additional taxation; and the increase in expenditure in those other departments was greater than the increase due to exchange.

13,788. (*Sir Andrew Scoble.*) I should like to ask you about that table. Column 7 shows that the total increase attributable to exchange was Rx. 8,409,000, does not it?—Yes.

13,789. The total increase, excluding exchange, was a saving of Rx. 342,000. This is Column 3, is not it?—Yes.

13,790. But taking the total increase, including exchange, the total increase shown in Column 8, Rx. 8,067,000, is somewhat less than the increase attributable to exchange on the whole transactions?—Yes.

13,791. Then exchange really accounts for the whole of the increase and rather more, does not it?—That depends entirely how you look at it.

13,792. But I mean on your table?—It is merely a question of which figures you set off against the others.

13,793. Well, setting off column 8 against colume 7?—Yes, if you take those two columns, each nearly equals the other column; it rather exceeds the total increase brought about in the way the table shows.

13,794. Well, that rather confirms the view that Sir James Westland expressed in the passage that you quote, does not it?—I think not.

13,795. Why not?—I think not, for the reasons that I have given—that in the 8 millions total increase is included a total increase of 5½ millions apart from exchange besides the 8½ millions due to exchange, and that you cannot say that the whole of that 8 millions is due to the exchange part, and that none of the 5½ millions apart from exchange has gone to make up that final total, that is, the resultant total, and really Columns 7 and 8 cannot be set off one against the other; they are both resultant totals.

13,796. That is your view?—That is my view; yes.

13,796*a*. (*Mr. Courtney.*) Any straw is the last straw?—That is so; yes.

13,797. (*Sir William Wedderburn.*) Then in paragraphs 21 and 22 I think you summarise the position of loss by exchange in the expenditure, and you contend that loss by exchange has long ceased to be an uncertain element in Indian Finance, and it ought to be provided for with as much foresight as any other necessary charge of the Government of India?—Yes, more than 10 years ago the cost of exchange had become so serious that the Government of India recast all their accounts in order to show the operations of exchange.

13,798. So that it should not be regarded each year as a sort of unexpected calamity that befalls the Indian Government, and which is to be made an excuse for everything that is wrong in the Indian accounts?—I should imagine that by this time it must be expected.

13,799. (*Sir Andrew Scoble.*) Do not you find it anticipated and provided for in every annual Budget?—Yes, it is anticipated.

13,800. And provided for?—And provided for.

13,801. (*Sir James Peile.*) But naturally deplored?—Deplored, and even that there is no objection to; but it is made the excuse for all the increases.

13,802. Why do you say "made the excuse"?—The plea is that it is only the exchange which causes the increase of expenditure.

13,803. I do not call that an excuse, do you—it is a fact?—Well, perhaps "excuse" is an unfortunate word; it is the plea that is put forward.

13,804. I do not agree with "plea" either—I should say "explanation."

13,805. (*Sir William Wedderburn.*) From these facts and figures that you have brought forward you consider that certain propositions have been established: will you read the first of those propositions in case any objection is raised?—"During the seven years from "1888-89 to 1895-96 the expenditure on the civil and "military services alone has increased by Rx. 5,429,034, "quite apart from any increase due to exchange; and "if we add the Rx. 848,769 due to exchange on "the increased sterling charges, which is an increase "within the control of the Government of India, we "find that the increase on the services amounts to the "enormous total of Rx. 6,277,803, besides Rx. 4,195,628, "which may be said to be due to the fall in exchange."

13,806. To the automatic fall in exchange you mean?—Quite so, including, of course, the sterling pay of the British troops—that we had included in there—and exchange compensation allowance.

13,807. And you consider that this is a deduction partly from this No. 2 Note, and also from your memorandum of expenditure?—No, this is entirely from No. 2 Note, because this was anterior to the other.

13,808. (*Sir Andrew Scoble.*) You do not intend to suggest, in stating that proposition, that this expenditure has been unnecessary or extravagant?—I do not intend to suggest anything of the kind; I am only stating the fact that it has been so.

13,809. (*Sir William Wedderburn.*) Proposition No. 2?—"While the expenditure on the civil and military "services has been increasing by about Rx. 6,000,000 "(leaving out of account the increases in the cost of "collection of the opium and customs revenue) other "expenditure, apart from the question of exchange, "has decreased to the extent of about Rx. 5,750,000."

13,810. (*Sir Andrew Scoble.*) Those are the figures contained under heading B. of your Table 3, are they not?—Yes, the "other expenditure."

13,811. (*Chairman.*) They appear in Column 3?—They appear in Column 3, both sets of figures.

13,812. (*Sir William Wedderburn.*) When you say that you do not express any opinion upon the necessity of the expenditure, you do not mean to say that you approve of it; you mean to say that that question is not relevant to your present evidence, which is purely financial?—Entirely so.

13,813. Proposition 3 then?—"In civil and military "expenditure we find, instead of economies to meet "the heavy burden of Rx. 4,195,628, due to the fall in "exchange, Rx. 6,277,803 of additional expenditure—"in other words, for every rupee of additional burden "entailed by the fall in exchange, the services add "another rupee and a half on their own account."

13,814. (*Mr. Courtney.*) Is not there some suggestion of blame there; do not you go beyond a mere arithmetical statement?—There, undoubtedly, may be a suggestion of blame, but I am now attempting to say what the figures point out, and the statement there is strictly accurate on the figures.

13,815. But a pure arithmetician might state it differently?—It might have been stated in other words, of course.

13,816. (*Mr. Mowbray.*) From which column do you get your figure Rx. 6,277,000?—Column 3 and this added together.

13,817. Then, in fact, that figure includes an item which the Indian Government put down to fall in exchange?—Yes, it includes the increase in the cost of exchange due to the increase in the sterling charges.

13,818. And your reason for not allowing that to be a matter of exchange is that the Indian Government, as you say, voluntarily incurred a sterling charge, and ought to have foreseen the increase which would result from the fall in exchange?—Yes, it ought to have been classed as an increase of expenditure, pure and simple, and not as an increase due to exchange.

13,819. They ought to have foreseen the fall of exchange?—Not necessarily from the point of view of avoiding it, but, if it were necessary to make it, it should have been called an increase of expenditure, and not an increase due to the fall of exchange.

13,820. But, it seems to me, the increase would not have taken place unless the rate had fallen?—Undoubtedly some of it would, because it was due to increased sterling charges.

13,821. And therefore the question always is how far the Indian Government ought to have refrained from an expenditure which they considered necessary, because it might probably involve a further loss by exchange owing to a further fall in the rupee?—But I think I ought to point out that this increase of exchange, due to the increase of sterling charges, does not include the difference merely between the exchange of Rs. 12 to the £, and Rs. 17 to the £, but it includes, for additional sterling charges, the difference between Rs. 12 and Rs. 10; it includes that as well as the additional increase due to the further fall; therefore, in no sense can it be entirely put down to the fall in exchange.

13,822. (*Chairman.*) You look upon it as an integral part of this expenditure?—Entirely so.

13,823. Inasmuch as experience has shown that the fall in exchange is practically permanent, therefore this extra charge ought to fall into the estimate that the Indian Government made of the cost involved in this new service?—Quite so.

13,824. (*Mr. Mowbray.*) But some of that Rx. 848,000 is due to the fall between 1889 and 1895?—Undoubtedly so.

13,825. (*Sir Andrew Scoble.*) I should just like to ask you, what do you mean by "the services" in that paragraph—you say "the services added another rupee and "a half on their own account"?—I mean the whole civil and military services of the Government.

13,826. Not the civil and military services as individuals, but the whole cost of the Government?—Quite so.

13,827. Is not that rather an invidious way of putting it—"the services on their own account"—do not you think now, on reflection, that is rather an invidious way of putting it?—Well, naturally, I cannot say "Yes" to that, because otherwise I should not have put it so if I had thought that it was an invidious way of putting it.

13,828. At the same time you cannot say "No"?—It seems to me that it is a matter of expression.

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13,829. (*Mr. Courtney.*) Sir Andrew asked you whether you could not on reflection?—I could xpress it differently, but I do not know that I should wish to express it differently.

13,830. (*Chairman.*) You would not wish to express it in any way so as to imply a reflection, since you are not making a reflection—therefore, if your readers take it as a reflection, when you learned that that was the case, you would not mind reconsidering the method of wording?—Quite so. I do not mean to express there any invidious reflection on members of the two services; and, indeed, if that is what Sir Andrew Scoble means, I am willing to modify it.

13,831. (*Sir Andrew Scoble.*) I mean that instead of saying that the cost of the Government has increased by another rupee and a half, you say "the services "have added another rupee and a half on their own "account," that seems rather to point to the services as individuals, and not to the Government as an administrative machine?—Well, if that is so, I should, on reflection, like to express it differently—to express it clearly that it is the cost of government.

13,832. (*Sir William Wedderburn.*) I remember the circumstances under which these headings were selected. Was not it purely for the object of distinguishing one portion of the civil and military expenditure from certain other portions?—That was so; there was a certain limit to the number of words that could be used, and it was sometimes rather difficult to employ words which should not create confusion, and therefore on an occasion like that I employed "services" to indicate all those headings—civil and military expenditure, collection of revenue—every department—everything to do with the administrative service of the Government.

13,833. But did not you do your best to follow the expressions and terms used in the official documents, in order to make your figures exactly correspond with those in the official documents?—I think I may say I did.

13,834. (*Sir Ralph Knox.*) The charges that you would criticise more particularly would be the increase due to increase in sterling charges—is not that so? That is to say, the Rx. 848,769, and perhaps some portion of that which is included in column 5—the exchange compensation allowance. Is not it so?—I am only criticising it in reference to its inclusion by the Government of India as a charge entirely due to exchange.

13,835. Quite so, but those are the two items—the whole of column 6 and a portion of column 5?—Yes, the (a)'s of column 5.

13,836. As regards the other column, 4, and a considerable portion of column 5?—Well, the (b)'s of column 5—Rx. 654,000.

13,837. Quite so—you would admit that those were automatic and due entirely to the fall in exchange?—Entirely, absolutely, yes.

13,838. (*Sir William Wedderburn.*) Then Proposition 4?—"In other expenditure we find the heavy burden "of Rx. 3,309,692, due to the fall in exchange, com-"pletely wiped out by reduced charges or increased "profits amounting in the aggregate to Rx. 5,715,802 "(*i.e.*, Rx. 5,771,463—Rx. 55,661), leaving expenditure "less, in spite of exchange, by Rx. 2,406,110—in other "words, every rupee of additional burden entailed by "the fall in exchange is met by a saving of a rupee "and three-quarters."

13,839. You do not wish to pay a compliment to those "others," any more than you wanted to cast a slur upon the services; you only wish to state what you believe to be the actual fact?—Just so; because, as a matter of fact, I believe some economies were arrived at by reducing the expenditure on famine insurance.

13,840. (*Sir Ralph Knox.*) Conversion of debt helped?—Conversion of debt helped, and the change from a provincial surplus to a provincial deficit helped very largely.

13,841. (*Mr. Mowbray.*) What is the heading "Special Defence" under the other expenditure?—Those were the special defence works.

13,842. And why do you include them in the "other expenditure" rather than in the military expenditure?—I think I was following the division made by Sir Henry Fowler in his tables there. If I were to make this table again I should take that out and put it in "Military Service" certainly.

13,843. (*Sir Ralph Knox.*) But, however, is there any reason why the conversion of debt or the saving due to the conversion of debt should be set off against that particular class of service any more than against the other class?—Of course, the division of the table is arbitrary—that is admitted—it was to show the actual administrative cost of government, the civil and military service of government, as opposed to the other forms of government.

13,844. (*Chairman.*) Is not your table divided into two very intelligible divisions, namely, the 1, 3, and 4 (A), services in which there has been an increase, and the services called (B), which show a decrease?—Yes.

13,845. And you have collected the increases together on the one side and the decreases on the other?—Practically that is what I have done.

13,846. (*Sir Andrew Scoble.*) Would you tell me why, in this fourth paragraph, you take the item of Rx. 3,309,692 as the amount due to the fall in exchange; how do you arrive at that?—That is columns 4 and 5—exactly Rx. 3,309,692.

13,847. (*Sir William Wedderburn.*) Then Proposition 5?—"The enormous increase in seven years of nearly "10½ millions Rx. in civil and military expenditure (of "which about two-fifths can be said to be due to the "fall in exchange) has (i.) consumed all the natural "increase in the revenues of about Rx. 5,000,000; (ii.) "used up all the decrease in other expenditure of "about Rx. 2,500,000 (obtained after paying for "Rx. 3,300,000 due to exchange, partly by reduction "of charges, partly by increase of profits, partly by "starving useful and reproductive services, and partly "by meeting the expenditure of the year out of past "savings); and (iii.) further necessitated the imposi-"tion of fresh taxation to the extent of Rx. 3,000,000 "as shown by the following figures:—

	Rx.		Rx.	Rx.
Increase in civil and military expenditure.	6,250*	Increase in revenue.	- -	5,000
Add—Exchange	4,250	Decrease in expenditure.	5,750	
		Deduct — Increase in exchange.	3,250	
		Net decrease in expenditure.	- -	2,500
		New taxation -	- -	3,000
Total -	10,500	Total -	-	10,500

* 000 omitted."

13,848. (*Sir Andrew Scoble.*) There you go beyond the arithmetician into the politician, do you not?—There I was simply translating or adopting a phrase used, or a series of phrases used, by Sir James Westland himself in one of his financial statements, or rather, his speeches at the Council, in which he complained that the loss by exchange—he gave it a different cause—was compelling them to starve useful and reproductive expenditure.

13,849. Yes, but still this is rather a political paragraph; this is not merely arithmetical?—Well, as I say, I was taking there what, so to speak, has been admitted by the Government of India.

13,850. And using it *alio intuitu* from the speaker?—Well, I was simply giving a different reason. The facts are admitted; the facts are the same; he gave a different reason for it.

13,851. (*Sir William Wedderburn.*) This note, I think, is headed—"Note on Sir James Westland's Budget"?—Quite so; naturally it is somewhat controversial in points.

13,852. (*Chairman.*) There is one rather controversial sentence in it—"partly by starving useful and repro-"ductive services." That is rather to the prejudice of the administration of the service which, I think you have told us, was not your intention. You wish to call attention to the facts without implying a reflection. This does rather imply a reflection?—Perhaps it does. It really is the same thing as was said by Sir James Westland in his speech in the Council, only he gives the reason that it was the fall in exchange

that has done it; that they were compelled to starve the services.

13,853. Therefore, in using that phrase, you are only really reproducing what the Indian Finance Minister himself has said?—Yes.

13,854. (*Sir Andrew Scoble.*) In another connexion?—Well, I am giving one reason for the starving and he gave another.

13,855. Yes. Then you can scarcely say you are quoting him there?—I am not alleging that I am quoting him.

13,856. But that is your explanation, that you are quoting him, but in a different sense to which he used the words?—I am making use of facts which are admitted.

13,857. (*Sir William Wedderburn.*) These notes, I think, were not prepared specially for the Commission?—That is so.

13,858. They were prepared upon Sir James Westland's Budget, and therefore it is to a certain extent accidental that they come within the circle of reference to the present Commission?—Yes.

13,859. But you were not preparing the wording in view of the limitations of reference?—No, that is quite true. I do not mind saying that if I had been preparing it for the Commission, doubtless, I could have put it in a different form, and in some way, perhaps, have represented it differently. This was written as purely a criticism on Sir James Westland's Budget of 1895–96.

13,860. And as regards what I think has been said with regard to the expenditure being justifiable or otherwise, you do not in any way wish to infer that that expenditure may not be both useful and good in itself. You wish only to see that that expenditure is referred to its right financial heading; that is what your object is?—Entirely so.

13,861. And it may be, and probably is, useful and proper, but it has to be justified from another point of view?—Quite so. Obviously, any Government can spend a great deal more than it does on useful objects, but it all becomes a question of ways and means, how far they can give way to their desire to promote those useful objects.

13,862. I think that concludes your memorandum. You were present, I think, when Sir Henry Waterfield gave his evidence?—Part of the time; at any rate, while he gave his evidence on those tables which he had prepared.

13,863–5. He gave his evidence on certain tables that we have put in?—Yes.

13,866–9. Would you like to make one or two brief remarks with regard to Sir Henry Waterfield's evidence upon the memorandum, and his last evidence upon our memorandum when I examined him?—There was one point raised in paragraph 3 of the note on Sir Henry Waterfield's table, dated India Office, 26th of June 1895—the date of the note upon those tables was the 12th of August 1895. I think it is Appendix 10?—Yes. It follows Sir Henry Waterfield's tables. And if you will turn to questions to Sir Henry Waterfield, 12,059 to 12,062, I think they are in reference to paragraph 3 of this note, where it was pointed out that the division between Imperial and provincial expenditure was on the whole an economical one, but that it failed in this—that it encouraged to some extent expenditure by the provincial governments without weighting them with a corresponding increase in the cost of exchange. Sir Henry Waterfield seemed to think that any possible increase in exchange which could fall upon them would be of very small amount as they had very little control over questions of pension and superannuation allowance, and that it was only in regard to the Civil Service that much increase of exchange takes place. I would only suggest in that connexion this: that, as I understand that division, a certain proportion of the cost of officers of Government is thrown upon the provincial service. That, for instance—here I give an instance in connexion with the contract of the Government of Bengal—three-fourths of the cost of collecting the stamp revenue of Bengal was assigned to the provincial government. I believe that means that three-fourths of a certain proportion of the salaries of those officers—the proportion in connexion with their work of revenue collecting—is there thrown upon the provincial governments, and my suggestion would be—Why is not the proportion of superannuation allowance, of pension belonging to that proportion of salary, also thrown upon the provincial governments, not merely in regard to possible increases in the future, but right from the beginning, so that the provincial governments may have the proportion of exchange falling upon them, as in fact they now have in the matter of exchange compensation allowance, and that when there was a heavy fall in exchange the provincial governments would have to meet it, that is, before they could look to increasing any other expenditure? That would be what I wanted to suggest in answer to what Sir Henry Waterfield said there.

13,870. (*Sir James Peile.*) They would have had to have an increased allotment from Imperial funds to meet that?—Probably at the start that would have to be so; the benefit would be that in the future the Imperial Government would not have quite so heavy an account to reckon with in the variations in exchange.

13,871. (*Chairman.*) I see that Sir Henry Waterfield seems to think that if a change was made in that direction, it would not be a material one. Do you agree to that statement of his, or do you think it would be material?—Well, I think I am taking it from rather a different point of view. I think Sir Henry Waterfield in that answer meant that if the actual increase of exchange was due to any increase of establishment from this date, that that would be a small amount; but I am suggesting that the exchange already existing on the existing establishment should be allotted more to the provincial governments. That would in the first instance be a serious amount I admit, and might come up on a revision of contract, but subsequently it would have the advantage of relieving the Imperial Government of a great deal of this cost of increase of exchange, and would compel the local governments to have the same regard to economy in respect of the fall on exchange as is now forced upon the consideration of the Imperial Government.

13,872. When you say the revision of contract you mean the revision of contract between the Imperial Government and the provincial governments, which takes place periodically?—Yes.

13,873. (*Sir Ralph Knox.*) But are the normal superannuation charges debited against the provincial governments now?—I believe not.

13,874. But you would throw them against the provincial governments, and also with the exchange compensation allowance?—The exchange compensation allowance is thrown upon them now—a proportion of it.

13,875. I mean the charge arising from the depreciation of the rupee due to the payment of this superannuation; would you throw both the charge for superannuation and also the additional charge due to the fall of the rupee against the provincial governments?—A proportion of it; the same proportion of it as they are charged in the contract.

13,876. But neither as regards the superannuation charge nor the expense of the fall of the rupee are now at present charged against them?—I believe not.

13,877. (*Sir William Wedderburn.*) Since preparing these different memoranda you became aware that you were to become a witness before this Commission?—Yes.

13,878. And I think I suggested to you that you should put in a number of headings, points which you proposed to establish, and you did so after making a more extended examination of the figures; and I think these headings, which have been circulated to the Commission, are a result of an examination over a longer period—20 years?—That is so.

13,879. (*Chairman.*) May I ask is that memorandum based upon Sir Henry Waterfield's tables, and so far as it goes, upon Sir Henry Waterfield's evidence, or upon Sir James Westland's?—This was an entirely independent inquiry, if I may say so; it was not based upon either.

13,880. You did not take Sir Henry Waterfield's tables as the basis of your figures?—No.

13,881. They were your own figures?—These were my own figures, that is so. This summary for 1895–96 in Note 2, which I made of the expenditure, explaining how I made it in the appendix, was based largely on the net tables in Sir Henry Fowler's returns, and is identical with the one for that year in this table, and all the other 19 years or 20 years have simply been carried out upon the same principle. They practically very nearly

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coincide with the net figures published in the return of Sir Henry Fowler.

13,882. Am I right in thinking that, assuming your basis, you and Sir Henry Waterfield agree as to the figures?—Well, I do not know that I ought to go so far as that; I saw Sir Henry Waterfield several times; he did not formally agree then.

13,883. I want to know whether there was any difference between you in the figures, assuming your basis?—I do not think there was, but I would not like to say.

13,884. I asked you the question because I was aware that you had seen Sir Henry Waterfield?—Yes, I have seen him several times; I have never had any real disagreement with him about the figures.

13,885. That does not imply that he can accept your figures?—No, not at all; there has been no formal agreement whatever about the figures.

13,886. (*Sir William Wedderburn.*) Would you read what I might say is your matured proposition, at least the proposition from the further examination of these 20 years?—That during the last 20 years the increase of net expenditure upon the civil and military services, apart from exchange, has far exceeded any increase in the cost of these services caused by the fall in exchange; while the additional cost of exchange accruing under other heads of net expenditure has been more than met by decreased expenditure under these other heads. The following is a summary of the figures:—

	Rx.	Rx.
Increase in civil and military services - - -	13,150,000	
Add increase in cost of exchange - - -	7,750,000	
Total increase -		20,900,000
Decrease in other expenditure - - -	8,600,000	
Deduct increase in cost of exchange - - - -	6,600,000	
Total decrease -		2,000,000
Net total increase -		Rx. 18,900,000

13,887. (*Chairman.*) That includes the total expenditure here in India and at home, I suppose?—That includes the total expenditure.

13,888. (*Sir James Peile.*) Sir Henry Waterfield merely puts the same figures in a different order, as I understand?—That is all it comes to; he has divided it between the Imperial and provincial.

13,889. I do not mean that quite. But, taking those figures that you have just given us, he has given us here, in his Table 33 the same sums in a different order?—Is that Sir Henry Waterfield's Table 2?

13,890. Table 33; at the end of his tables?—Oh, I see, that summary.

13,891. He made it expressly to reconcile, as it were, his figures and yours?—Yes, I see.

13,892. He gives the total increase of expenditure in the 20 years, excluding exchange, 4,542,000?—Yes, that would be so.

13,893. And then he puts the whole of the exchange, 14,352,000, making a total of 18,894,000?—Yes, that would agree.

13,894. That total, of course, does not differ from the figures in his other tables?—No.

13,895. Although it is arrived at by a different arrangement which you cannot exactly compare?—Quite so.

13,896. I understood from him that he does not differ from you at all?—I believe that that is so. As I say, we have had no formal agreement, but my own impression is that Sir Henry Waterfield does not dispute any of my figures.

13,897. It is merely a difference in the way of putting it. It seems to me a more reasonable course to deduct the decrease in "other expenditure" from the increase in the civil and military services, and to treat the exchange as quite a distinct thing, than to adopt your arrangement; but of course that is a matter of opinion?—My point was only to show that under some heads exchange had not been the burden or had been met under other heads. The increase of expenditure had given no chance of meeting it.

13,898. But the great point is that there is no essential difference in the figures between you and Sir Henry Waterfield?—Quite so.

13,899. (*Chairman.*) That is, I think, the point that I put to you, that in the figures you and Sir Henry Waterfield are practically agreed?—Yes, I believe we are.

13,900. (*Sir Edward Hamilton.*) I do not quite follow. How do these two figures tally, 7,750 and 7,600; I do not see how they are worked up. One is called the increased cost of exchange; they are both that—increase in cost of exchange. I do not see how they are worked up differently?—I have divided the cost of exchange.

13,901. It follows the same calculation as in your papers?—Quite so.

13,902. (*Sir William Wedderburn.*) Then the second proposition?—Taking 1884–85 as a middle year and altogether excluding expenditure due to exchange, the increase in civil and military expenditure in 1895–96 over that in 1884–85 was more than double the increase in such expenditure in 1884–85 over that in 1875–76. The following is a summary of the facts:—From 1875–76 to 1884–85 there was an increase in total net expenditure (excluding exchange altogether) of Rx. 3,000,000; from 1884–85 to 1895–96 the increase is Rx. 1,550,000 The increase of Rx. 3,000,000 during the former period is made up of an increase of Rx. 4,200,000 under the heads of civil and military services (including collection of revenue) and a decrease of Rx. 1,200,000 under other heads of expenditure; while the increase of Rx. 1,550,000 during the more recent period is made up of an increase of Rx. 8,950,000 in civil and military expenditure and a decrease of Rx. 7,400,000 in other expenditure. I have prepared a chart just to show more clearly, perhaps, than the figures can convey what I mean by the statement. This chart shows six lines. The black lines in each case indicate the total expenditure. The dotted lines indicate that expenditure, excluding exchange. The black lines give the expenditure year by year; the dotted lines only give it for three periods—the beginning of the 20 years, the middle year 1884–85, and the end. It will be seen that the total expenditure—the main purpose of it is to show the different rates of rise in the curves for the two periods, taking the first period ending with 1884–85 and the second period ending 1895–96.

13,903. (*Chairman.*) Perhaps, as there is only one copy, you could describe to the Commission what the results of the dotted line periods is?—Taking the total expenditure during the 20 years it went up from 46½ millions to 65¼ millions.

13,904. But there was a variation, I think, there; some years it rose to a higher point?—One year, In 1881, when there was the Afghan war, the expenditure rose very high temporarily, and then dropped, and then it went up again. There was a series of ups-and-downs, gradually rising. The greatest period of increase has been from 1891 to 1896.

13,905. Even though in the previous period the Afghan war expenditure is included?—Yes. In 1876 the expenditure was 46½ millions. In 1878 it was 52 millions, in 1879 it dropped to under 50 millions; and then it went up in 1881 to 56¾ millions, the year of the Afghan war; then it dropped the next year to just over 50 millions, and it kept for those three years, 1882–3–4, at just over 50 millions.

13,906. Well, now comes in your first dotted line, does it not?—Yes.

13,907. Will you give the result of the dotted line?—The result of the dotted line—where the exchange is excluded—is that in 1876 the expenditure was 45 millions; in 1884–85 it had gone up to 48 millions, and in 1895–96 it was still under 50 millions—it was 49½.

13,908. Will you put in that chart?—Yes. [*Chart put in.*]* Then comes the relation which the civil and military expenditure bears to the total expenditure, and here again I will take the dotted line, excluding exchange altogether. During the first period, from 1876 to 1885, the civil and military expenditure went up from 30¾ millions to 33¾ millions corresponding, more or less accurately, with the rise in the total expenditure from 45 millions to 48 millions. Then, in the second period, from 1884–85 to 1895–96, while the total expenditure, excluding exchange, was increasing from 48 millions to 49½ millions, only by 1½ millions, the civil and military expenditure was increasing from 33 millions to 40¾ millions. That shows the difference

* *See* Appendix No. 68.

in the two. [*Exhibiting chart.*] The curve of the civil and military expenditure is a much steeper curve than that for the total expenditure during the last 10 years, and again the same can be shown in the military expenditure taken separately; there again the curve during the last period is much steeper than the curve for the total expenditure.

13,909. (*Sir Ralph Knox.*) All your figures appear practically to be stated in the table which has been alluded to furnished by Sir Henry Waterfield. In Table 23 he says that between 1875–76 and 1884–85 there is an increase of 5,000,000, and between 1884–85 and 1895–96 there is an increase of 13,700,000, and comparing the original year 1875–76 with 1895–96, the increase as you have stated before was 18,900,000. It is brought out in that table completely. It omits the intervening years, but it takes the three periods, and I have been following it with your figures. It is precisely what you have stated?—Yes.

13,910. (*Mr. Mowbray.*) I think all those figures are exactly the same as the figures in your Table 3 of this memorandum; the details you give there exactly correspond with those?—Those for 1895–96 would be the same in both documents.

13,911. Yes, but the differences between these years which you have been referring to?—No; I think not.

13,912. If you look at your Table 3?—Table 3 in which?

13,913. In the memorandum on Indian financial expenditure, page 16?—Those are the same as——

13,914. Those are the same as the figures in Sir Henry Waterfield's Table 33?—Oh! doubtless. I think that was simply a copy of this; I think Sir Henry Waterfield adopted it.

13,915. I understood he had worked it out on a different basis, but had arrived at the same conclusion?—No, I think not.

13,916. (*Chairman.*) They are the same figures, but you and he state them in rather a different form?—I think that is it.

13,917. I think the remarkable point in your statement of the more recent period is that this very heavy increase of very nearly 9,000,000 in civil and military expenditure is really reduced to a comparatively small sum by the very large decrease in other expenditure. Are there any remarks upon that which you would wish to place before the Commission?—Well, I have prepared a table. Is that dealing with the 20 years?

13,918. I am dealing with the periods of which you are now speaking—of the 20 years—and you divide that 20 years into two periods?—Oh, yes.

13,919. On the first period you say that though there is an increase of Rx. 3,000,000, thus made up—Rx. 4,200,000 in the civil and military services compensated by a decrease of Rx. 1,200,000 under other heads?—Yes.

13,920. And then you come to what you call the more recent period, and state that the increase on civil and military services is Rx. 8,950,000; while on the other hand there is a decrease of Rx. 7,400,000?—Yes.

13,921. That, of course, is a very notable decrease, and I wish to call your attention to it, in case you would like to make any remarks upon that very large increase?—I have tried to express it here by means of a chart showing the normal line in the middle, and showing lines going up for increase of expenditure, and lines going down for decrease of expenditure. All above the line is civil and military expenditure, and all below the line is the other expenditure of government, and there I have shown that the line of increase goes up almost at the same angle as the line of decrease goes down, as those figures would show. In addition to the angle line of increase there is a further increase for exchange, bringing, as a resultant of those two lines, a still sharper line of increase, showing the total increase in civil and military expenditure at Rx. 15,640,000 from that year 1884–85 to 1895–96. Then below the normal line there is the line of decrease in other expenditure, excluding exchange, brought up again by the increase in exchange, though still below the normal, because the line of decrease is more than the increase due to exchange, and producing a resultant line of decrease about Rx. 2,000,000—Rx. 1,905,000 below the normal. That is the chart which shows that. [*Chart No. II. put in.*]*

13,922. Now, I see from your table in the memorandum on Sir James Westland's Budget, on which the early part of your examination was based, that the other expenditure, which shows such a very large decrease, consists firstly of Rx. 1,600,000 on the debt?—Yes.

13,923. That is an economy, a repetition of which can hardly be expected in the future, can it?—Part of that economy is brought about by means which I confess I am not in a position to quite understand. There is an entry in the books "due to the transactions with the companies," the amount of debt is credited to the railway companies at a certain rate of interest, regardless of the rate of interest at which money may be raised. I am not intending to suggest in any way that the transaction is not a perfectly good and a very valuable transaction, but it is one I do not understand.

13,924. Naturally speaking, one is very much struck by the fact that the increase in the civil and military expenditure is very largely in excess in the last period compared with the increase in the previous period, the net effect, however, being that the increase is very much reduced by a large decrease of other expenditure, and my question addressed to you was directed to this point: If the increase in civil and military expenditure were to go on in the future at the rate of the recent increase, could we expect a corresponding decrease on other expenditure; and on looking down your Table 3 I see, for instance, that part of this very large increase is 1,600,000 Rx. on debt. Well, that is not an economy which we can look upon as renewable every seven years, is it?—I should say not.

13,925. I mean *primâ facie*?—Yes; quite so.

13,926. Then come commercial services, Rx. 2,666,000 Have you any remark to make upon that?—That, I should think, is likely to continue.

13,927. You think it is?—Because that is excluding exchange. The tendency, I think, would be for the commercial services to go on paying better and better every year.

13,928. And that you would attribute to the railways, for instance?—Yes; chiefly to the railways.

13,929. Bringing in a considerable annual sum to the Government?—The railway enterprise has always been a loss because of the exchange, but when you take away the exchange, the actual receipts of the railways in India will tend to increase largely, and will go on always forming an increasing asset. For instance, if by any change exchange should ever recover, the Government of India would have a very large sum at their disposal from the net revenue from their railways.

13,930. One other point—that special defence item (which, if you were remaking the tables, I understood you to say, you would class with army services and military works) has ceased now in that form, has it not?—That has ceased. It was because it was temporary that I put it here; it was not normal.

13,931. Of that large decrease of Rx. 7,398,000 on "other services," at all events, you would consider *primâ facie* that the economy on the commercial services would continue, but that we could hardly reckon on a similar decrease of the debt or a similar decrease on special defences, because that item has fallen out?—Quite so; and again, we could not reckon with advantage to the finances on a continuance of this large deficit, which changes a provincial surplus to a deficit; that is not an advantage.

13,932. Therefore in the future one must expect that any decrease upon "other expenditure," as you call it, would be very much reduced as compared with the figures shown upon the recent period?—Quite so; that can be partly shown by a table in the memorandum, a similar table dealing with the periods from 1875–76 to 1884–85— a similar period, because the same division was made. You see what happened there.

13,933. What page is that?—Page 18 of the Memorandum on Indian Financial Expenditure. There was only a decrease of Rx. 1,189,000 on those two branches of revenue. I think it answers in some way, as showing over another series of years the same effect. It is Table 5.

13,934. Appendix No. 10?—Appendix No. 11, Table No. 5. Tables 5 and 6 show what happened respectively in those two periods with regard to this "other expenditure."

13,935. It shows there that the service of the continuing economy, if I might so call it, is the commercial service?—Quite so.

* *See* Appendix No. 69.

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13,936. (*Mr. Courtney.*) What are the totals of the civil and military expenditure and the "other" expenditure at the commencement of the second period?—At the second period the civil and military expenditure, including the cost of the collection of revenue, came to 42½ millions. The total of civil and military expenditure including exchange or excluding exchange?

13,937. Excluding?—Excluding exchange 42½ millions.

13,938. And the other expenditure?—The other would be 5½ millions net; it is all net expenditure.

13,939. No, it must be more than that, because you have effected a greater reduction?—That is all it is, 5½ millions.

13,940 At the second period?—Yes, in 1884–85.

13,941. But you say you have saved Rx. 7,000,000?—Yes, but then this is it: in 1884–85 the civil and military expenditure, including cost of collection of revenue, was 42½ millions; other expenditure was 5½ millions. In 1895–96 the civil and military expenditure, including cost of collection of revenue, was 51½ millions, and the other expenditure was minus Rx. 2,000,000 That is where the difference comes in. I ought to say this: In the charts now put in I have only given civil and military expenditure in the ordinary way.

13,942. That will serve my purpose. Do you not think in that case you were wrong in stating that the same angles could be shown of increase and decrease?—No.

13,943. Have you not to bear in mind not only the amount of the addition, but the position from which it arises?—No; I have shown in both cases that there was a change of nearly Rx. 7,000,000 from the normal; that is to say, it varies from the plus side to the minus side of the line, but the total below the normal was a total expressible in the same way by a single curve as the total which was above the normal. The one was about Rx. 8,000,000 and the other was about Rx. 9,000,000, so the angles were about the same.

13,944. Surely in a true angle representative of the rate of increase which you are dealing with you ought to consider the basis from which you start?—Yes, I have; the basis is the normal in each case, and, therefore, the same whatever the totals may be; it is the normal I was starting from, not from any actual total.

13,945. (*Sir William Wedderburn.*) With reference to the Chairman's question as regards the future prospect of these same savings in Table 3, which is change from provincial surplus to deficit, that represented the Imperial Government drawing from the balances of the local governments?—Oh, not only that, it also represented the fact that the provincial governments had to draw on their own past surpluses, that they were spending really more than would appear in the Imperial accounts, and that they made up for the extra amount by drawing on their own past resources.

13,946. Then Proposition 3?—That since 1884–85 the effect of the heavy fall in exchange has been aggravated by a large increase in the sterling expenditure of the Government of India, and by other increase not automatic in its character.*

	Rx.
Cost of exchange on increase in sterling expenditure (1,900,000*l.*) - - -	1,600,000
Cost of exchange compensation allowance (1895–96) - - - - -	1,400,000
Rx.	3,000,000

13,947. (*Sir James Peile.*) Do you mean that the sterling expenditure was not automatic in its character?—Generally speaking I should say it was not.

13,948. We have got a return of it, have we not, in Appendix No. 44. It was put in by Sir Henry Waterfield, page 258 of the second volume?—Rx. 843,000 of it was made up on the commercial services which would probably be chiefly railway—increased railway debt.

13,949. Well, there is Rx. 131,500 furlough pay, and superannuation payments at fixed minimum rates. That of course was automatic?—That of course would be automatic; I presume that would be automatic.

13,950. Then there is the item you gave just now, railway companies, 824,654*l.*, which is much the largest item?—Yes.

* *See* Appendix No. 70.

13,951. You would not expect the Government of India not to develop its railway policy, would you, although you cannot call it strictly automatic?—Again, I do not want to criticise this expenditure; I am only showing, and especially with regard to railways, that if it were necessary, as part of their commercial enterprise, to bring in the large receipts in India, it may be very desirable expenditure, but it is increased expenditure deliberately incurred as such, and not increase due to the fall in exchange. It is the same point I am making. I am not criticising the expenditure or saying that it may not all be desirable, but that it is not increase due to exchange.

13,952. (*Mr. Mowbray.*) That figure, Rx. 1,600,000 cost of exchange, I suppose, is the difference between the rupee at 10 rupees to the 1*l.*?—And 18⅓.

13,953. And the rate of the Budget of 1896?—That was 18⅓; it has now fallen very much, and of course it is now a good deal less.

13,954. I was going to ask you whether you had calculated at all what the difference would have been between the time at which this sterling expenditure of 1,900,000*l.* that you have referred to was incurred and the rate in 1896?—No; it would, of course, reduce it.

13,955. You cannot tell me how much of that Rx. 1,600,000 is a difference in exchange between an imaginary figure of 10 rupees to the 1*l.* and the actual rate of 1896, and how much is due to an actual fall between the rate at which this sum was borrowed or this liability was incurred and the rate of 1896?—No, I could not tell you that, without a very long calculation.

13,956. A portion of it would be due to the fall between 10 rupees to the pound and the rate of the time at which liability was incurred?—Certainly.

13,957. And a further portion would be due to the fall which has occurred since that liability was incurred?—Certainly.

13,958. But do you draw in your own mind any distinction between the responsibility of the Indian Government for the fall in exchange which occurred prior to the incurring of this liability—I am referring to this liability of 1,900,000*l.* on your figures here—and the fall which has occurred since?—No, where it is not automatic I should not, because I would suggest that where a Government borrows sterling at a time of falling exchange, it thereby incurs the full liability which the total fall of exchange might ultimately impose upon it, and it is a point which it ought very seriously to consider, and which should operate to prevent it borrowing sterling in time of heavy falls of exchange.

13,959. I quite understand of course that you would say that when the Government was borrowing after a certain amount of fall in exchange had occurred that they had no right to complain of the fall of exchange that had occurred, but I understand you to go further than that and say that they ought not to complain of a fall in exchange which has occurred since these liabilities have been incurred?—Yes, I do, because it was notorious that the exchange was falling at the time.

13,960. Yes?—I would not carry that right back so far as to the time when exchange first began to fall, but when once the downward trend of exchange was established, as it was by 1884–85, I would then suggest that if the Government did increase their sterling charges they did so at the full risk of the total fall that exchange might experience.

13,961. (*Chairman.*) They ought to have borne that in mind as part of the cost that was incurred?—Entirely.

13,962. (*Sir William Wedderburn.*) Then Proposition 4?—That from 1875–76 to 1884–85 the military expenditure of the Government of India (excluding exchange altogether) was almost stationary leaving out the amount due to the Afghan War when it came—that is to say, the ordinary military expenditure, but that since 1884–85 (again excluding exchange in any shape or form) there has been an increase of nearly Rx. 4,500,000 per annum.

13,963. (*Chairman.*) When you say 4,500,000 per annum at the close of the time, do you mean that the military expenditure was higher by Rx 4,500,000 than it was at the commencement?—Yes.

13,964. (*Sir William Wedderburn.*) Then Proposition 5?—That during the 12 years 1884–85 to 1895–96 over and above a large increase in ordinary military expenditure (*i.e.*, army and military works) and excluding all

charges on account of Upper Burma, and, the cost of frontier railways, special and extraordinary expenditure has been incurred to the amount of nearly Rx. 12,000,000.

13,965. (*Sir James Peile.*) That is the aggregate of 12 years, is it not?—That is the aggregate of 12 years. It is shown in that note on Sir Henry Waterfield's table at page 9. Perhaps I might put in this other chart which would show the point about exchange, showing how the exchange is made up, natural increase, increase of exchange compensation allowance, and the increase in sterling charges, also showing the incidence of it on the two different portions of the revenue.

13,966. (*Sir William Wedderburn.*) Then Proposition No. 6?—That, generally speaking, and whatever may be the explanation, while the fall in exchange has been a disturbing factor of considerable magnitude, increased expenditure on the civil and military services, apart from exchange, has been a more important source of financial difficulty.

13,967. (*Chairman.*) Vide exhibits A. B. C. D.?—Those were these different memorandums and notes which were put in.

13,968. (*Sir William Wedderburn.*) With reference to the seventh proposition, I think that the Secretary of State, when the Indian Budget was under debate, specially said that the question was one for the Royal Commission?—That is my recollection.

13,969. I think that I moved an amendment alleging that the statements with regard to debt were misleading, and the answer of the Secretary of State, I think, was that that was a question that could be well dealt with by the Commission, and I think it is with reference to that that you have looked into that point and this proposition is framed?—Yes.

13,970. Will you read Proposition 7?—"That some "of the statements in the accounts of the Government "of India relating to debt are misleading, that the "set-off against ordinary debt of debt transferred to "public works is improperly carried out in these "accounts owing to the mixing of gold and silver debt "without taking into account the varying rate of "exchange between the pound and the rupee; and "that, therefore, the Government of India are wrong "in stating that the ordinary debt, less that transferred to public works, has decreased since 1884–85 by "about Rx. 9,000,000. It has, in fact, increased by "nearly Rx. 3,000,000."

13,971. (*Chairman.*) Have you any statement drawn out by which you endeavour to establish that fact?—Yes. In this criticism in Sir William Wedderburn's note on Sir Henry Waterfield's tables at pages 19 and 20; the criticism on Table 20 will give this, paragraphs 33 and 34; and since then I have found out what I thought would be a perfectly specific case to show the Commission exactly what I mean.

13,972. Which is the table in that note to which you are referring, the memorandum on Indian financial expenditure, is it not?—No; it is the note on Sir Henry Waterfield's tables, put in by Sir William Wedderburn, dated 12th of August 1895; it is in Appendix 10, I think.

13,973. And which table is it?—It is paragraphs 33 and 34, criticising Table 20 of Sir Henry Waterfield. I think Sir Henry Waterfield, in Question 12,238 made some reference to this, and said they were generally careful not to express what the result of adding rupees and pounds was, but I have here the Finance and Revenue Accounts of the Government of India for 1893–94, page 195, in which they show the summary of capital expenditure on railways and irrigation works, and in which we have here a column, 22, which is an addition of columns 20 and 21; column 20 being an Rx. column, and column 21 being a £ column, and column 22 being expressed as tens of rupees.

13,974. And are they added together?—They are added together, so that that is one of the points where it would be misleading.

13,975. And I think I gathered from Sir Henry Waterfield's answer to Question 12,238, to which you have been referring, that he admits it ought not to be done?—He admits it ought not to be done.

13,976. And here it is done?—Yes.

13,977. (*Sir James Peile.*) I see that in Table 20, in the last three columns, he has given no denomination, neither pounds nor rupees?—He has not, no; but still it is impossible to add them up without putting some denomination to it. The result of doing this is this, that year by year there is shown in this account, which is published to Parliament and to the public, a continual reduction in the ordinary debt of India, brought about, as I contend, by these illegitimate means. First of all, taking these accounts of the Government of India 1893–94, page 219, there is an account showing the additions to and discharges of permanent debt during the year ended 31st March 1894, and the amounts of the permanent debt at the commencement and the close of the year, and then follows a classification of the debt into ordinary debt, exclusive of that for railways and irrigation and debt incurred for productive works. First of all, they add up the two debts, the rupee and the sterling debt, without putting the denomination it is true, but adding the two up; that is to say, the total debt in India of 105½ million Rx., the total debt in England bearing interest of 108 millions sterling; total debt without any denomination either of pounds or Rx., 213,659,000.

13,978. That, you would contend, is misleading?—That distinctly is misleading, and for this further reason. They then proceed to classify that debt, and the classification is as follows:—Permanent debt, exclusive of that for railways and irrigation; that is to say, the permanent debt for ordinary purposes, 69 millions, again without any denomination; and then this heading here, Rx., at the top of this whole column, can be taken to cover all that column; it may be so, but I do not know. Then for railways, 114,701,000, and for irrigation, 29,679,000. Those figures, that classification is then put into the statistical abstract year by year.

13,979. (*Mr. Courtney.*) And those make up the 213 millions?—Those make up the 213 millions.

13,980. (*Chairman.*) The 213 millions is the addition of those two figures?—Of 105 plus 108 millions; it is an exact addition of those two figures.

13,981. So we know that this classification mixes up the two denominations?—This classification mixes up the two denominations.

13,982. Where do you carry it in the abstract?—Page 130, Statistical Abstract for 1893–94. Therefore, year by year, this is done. You will see from 1883–84 that there is shown a regular reduction of debt for "Other purposes," the final column on the page shows a gradual reduction of debt for "Other purposes" from 92,902,903 in 1883–84 to 69,279,331 in 1893–94. That is arrived at by this process: the debt for ordinary purposes being the total amount of debt remaining after that for railways and irrigation has been subtracted from the total of 213 millions. The total of the railway and irrigation debt has been arrived at at page 195 of the Finance Accounts by, among other things, the addition of those two columns together, 20 and 21.

13,983. The heading of this account, to which Mr. Morgan-Browne has referred in the Statistical Abstract to which these figures are carried, is headed in tens of rupees and sterling mixed together?—And, as I say, in the accounts of the Government of India this is produced from this Table No. 69, page 195, in which, as I pointed out before, columns 20 and 21 being in, respectively, tens of rupees and sterling, were added up in column 22 to represent tens of rupees pure and simple. The result of this is pointed out in this criticism on page 19 and 20 of Appendix 10 in the appendices to the first report. If I may just read there the gist of it to put it clearly, I think, before the Commission.

13,984. What paragraph?—Paragraph 23, I have said: "With regard to the debt, Sir Henry Water-"field's table shows a large reduction of the ordinary "debt during the last ten years." That would conform with the table in the statistical abstract. "The "increase of debt in India since end of financial year "1884–85, Rx. 11,161,894; increase in England, "44,734,738*l.*; Total, Rx. 55,896,632.

13,985. Are you quite correct; you put against that Rx. 55,896,632?—Yes, I am afraid the "Rx." ought to have been left out; if Sir Henry Waterfield has not got it that must be a mistake.

13,986. Still the fact remains, I suppose, that you would impress upon us. The ordinary reader would think they were of a like denomination?—And I would go so far as to say that even without it it must have meant that by the ordinary rules of arithmetic, because Sir Henry Waterfield proceeded to subtract from it a total which was Rx., and you cannot subtract anything from Rx. but Rx.; therefore, he implied that the total 55 millions was necessarily Rx. Then he showed that the

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debt transferred to public works was Rx. 65,392,589, and that the net decrease in the ordinary debt was therefore 9½ millions Rx. Then it is pointed out here that "the fallacy consists of taking the increase of "44,734,738*l.* in sterling debt as only equivalent to an "increase of Rx. 44,734,738, and then setting off "against it what is largely rupee expenditure on "public works. The following table shows the equiva-"lent in Rx. of this 44,734,000*l.*"—this table shows that that 44,734,000*l.* really represents Rx. 65,269,000.

13,987. (*Sir Andrew Scoble.*) At what rate of exchange?—At the different rates of exchange for each year in which the different portions of the total sum were raised. "Again, the sum of Rx. 65,392,589 "transferred to public works contains a sum of "19,943,152*l.* treated as equivalent to Rx. 19,943,152 "besides a large amount of sterling expenditure duly "converted into Rx. at the current rate of exchange," for there would be alterations to make in both sides of the account, both in favour of the Government of India's contention and against it, in the matter of setting off this sum of Rx. 9,495,957.

13,988. And all your calculation would be vitiated if you took the present rate of exchange, would it not? Supposing the Government of India wanted to pay off the sterling debt now at the present rate of exchange, all your calculation would be vitiated, would it not?—No, because the rate of exchange is made out for each year when the transaction is made and when the expenditure was made, it would remain exactly the same.

13,989. Supposing the Government were to pay the whole debt off now and raise the money at the current rate of exchange?—To pay off which?

13,990. The silver and the gold debt; to ascertain the actual indebtedness of the Government you ought to take the rate of the day, ought you not?

13,991. (*Chairman.*) At what rate could they pay off at the present moment, at the present rate of exchange? That is your meaning, Sir Andrew, is it not?—They would have to pay off the sterling debt at the rate of the day.

13,992. (*Sir Andrew Scoble.*) All these calculations are simply arithmetical exercitations, and have really no practical bearing on the position of the Government of India; is not that so?—Not at all, because those were made for each year. If in 1884–85 I borrowed a pound and got for it 15 rupees in India, and spent that 15 rupees, and I am going to pay off, I have to pay off 15 rupees in India, and that figures as 15 rupees in India. If it was spent in England on the other hand it still figures as 1*l.* of debt, and, of course, if I pay it off I have to pay off the 1*l.*—in India 15 rupees—I have spent. This is only brought into account when it has actually been expended in public works, and is no longer represented by a fictitious amount of money, but is represented by an equivalent amount of work done.

13,993. (*Mr. Courtney.*) Is the point where the thing was spent and not in what money you have to repay it?—The point would be, I think, that what you would have to repay would be the amount actually expended at the time. If I spend 1*l.* in England I have always got to pay back 1*l.* of debt.

13,994. If you borrowed 10*l.* in England and spent it in India, and at the time you borrowed you got 150 rupees for the 10*l.*, if you have to repay that 10*l.* in England, by the time you have to pay it you have to pay 200 rupees for the 10*l.*?—Yes, but under this calculation that 10*l.* would never have come into debt; t would remain in England.

13,995. Both processes are wrong, but yours is less formidably wrong of the two, I see; the other is quite wrong, but it is also wrong on your part, in estimating the increase or otherwise of the indebtedness of India, to take into account what might have been the equivalent of rupees to the loan raised in sterling at the time the loan was raised, and then taking into this account its equivalent now?—I think I am misunderstood a little. I did not mean that all the sterling debt in England, which is spent on debentures here—all this sterling debt here—could be dealt with in this way. I am only saying that this must be done where it comes to a question of setting off the debt raised for the purposes of public works. If you want to do that at all in this country you must reduce your sterling debt and your rupee debt to a common denomination. I am not suggesting that it is necessary to make this set-off; I am only saying that if you make it, you must do it with equivalent factors. I do not say that it is necessary to make it; I am not trying to defend the setting off.

13,996. (*Sir Andrew Scoble.*) But at all events, when Sir Henry Waterfield's tables take ten rupees as the equivalent of a sovereign, and you take a certain number of rupees as equivalent to a sovereign for the purposes of your calculation, does it not come to very much the same sort of error; it is only a question of degree; it is an arbitrary rate in both cases?—No, I think not, for this reason. Suppose the Government of India raised two million pounds in England, there are several courses open to them. One course, probably a very common one, is to reduce for the year the drawings of the Secretary of State, and that sets free, not merely two million Rx. in their hands, but the amount they would have to pay to remit that money to England—it may be three million Rx. Then they can take that three million Rx. either in reduction of their borrowings, or they can employ it as expenditure, saving their borrowing in India for famine insurance works or any other works they may want to make. Therefore, I say, if you are to set-off that work you have to set-off that three millions, and not two millions.

13,977. (*Mr. Courtney,*) But if your object is to inquire how far the indebtedness of India has increased or diminished you must make that calculation in rupees wholly or in pounds wholly at the moment you have in contemplation—the present moment?—Certainly, I should say so.

13,998. And conform to the exchange of the day in making that calculation?—Quite so.

13,999. (*Chairman.*) Is there any proper way of stating it, and can we get out of this method of statement. If you are making an estimate for any practical purposes the obligation of the Government of India in debt is that it owes so many rupees in India?—Yes.

14,000. I see that in 1883–84 she owed in rupees in India Rx. 90,688,766 and in 1893–94, Rx. 102,937,552. I am taking the total without making deductions for irrigation and so forth. That represents an increase of 12 millions in the denomination of rupees, in addition to which amount she owed in England in 1883–84 68,585,694*l.* and at the end of that period 106,683,767*l.*, being an increase of 38 millions?—Yes.

14,001. Must you not always state the thing in that way if you are measuring the indebtedness?—Yes, I think you are absolutely bound to keep them entirely distinct. I do not think you can set off, but I think if you are going to make any calculation about the productiveness of public works, and you have got sterling debt into it you must reduce it to the chief denomination.

14,002. You feel bound to call attention to this because the Government of India have made a statement based upon this muddle of the two metals showing a decrease of debt?—Yes.

14,003. And that leads you to this statement, that instead of a decrease, as they point out, there has been a small increase, and for that reason it is an important distinction?—I think so.

14,004. Do you know at all how these figures would come out if you kept them separate—if you stated the one obligation in sterling and the other obligation in rupees—and whether there would be an increase or decrease?—I take it that if one could have a proper inquiry into the amount of debt there would be found to be an actual increase in the ordinary debt.

14,005. It would be quite possible to take those figures on which Sir Henry Waterfield arrives at nine millions decrease, and on which you arrive in round figures at three millions increase—it would be quite possible to take those figures, either in sterling or in rupees respectively, and show the actual facts whether the Government at the end of the time owed a greater or less sum, either in sterling or in rupees?—I think they ought to be separated; you could not arrive at any conclusion bringing them together.

14,006. It would not be difficult to state it?—I should not think so.

14,007. (*Mr. Courtney.*) The real difficulty would be to ascertain the value of the set-off against that debt?—Yes, that would be the difficulty.

14,008. (*Sir William Wedderburn.*) I understand that you are aware that these figures, facts, and allegations

have been formally brought to the notice of the Secretary of State for India, and he has had them before him for a considerable time?—Yes.

14,009. And do you claim that if these facts and figures are not impugned you have established the conclusions—the five conclusions which are stated in Memorandum No. 2, and seven conclusions in the headings which you have now put in?—Yes.

14,010. (*Chairman.*) I wanted to ask you one question. In the memorandum of Sir Henry Waterfield's, which formed the basis of the first part of your examination, there is paragraph 15, in which it is stated that the increase of taxation is reckoned at eight millions, and of this new taxation new import duties account for about three millions out of the total sum of eight millions, leaving five millions in 1888. Have you considered or have you made any calculation as to what the increase of taxation is that has been necessitated in the last period?—Yes.

14,011. There is some difference of opinion about it, is there not?—I thought not. I think that my figures are rather under Sir Henry Waterfield's tables—that is, since 1884–95 to 1895–96. No; the figures are practically in exact agreement—that is, to 1894–95, paragraph 6 of Appendix 10. Since 1884–85 to 1894–95 the increase in revenue due to increase of taxation was 5½ million Rx., and I think that Sir Henry Waterfield in some of his answers estimated it at 6½ millions to 1895–96.

14,012. In reference to that, would you look at Answer 12,073; I think that that is the answer you refer to. I think there that Sir Henry Waterfield takes it at 7½ crores?—Yes, for 1895–96 he gives it at 7½ crores.

14,013. And you have put it at less?—I have put it at 5½ for 1894–95. He gives it for 1894–95 at 6½—6,474,000; but he divides it into two parts, the Imperial share, Rx. 5,494,000, and the provincial, one crore.

14,014. Then his figures for the Imperial share would very nearly correspond with yours?—I think so. If anything it is a little over; mine is an understatement. *Mr. H. Morgan-Browne.* 27 Jan. 1897.

14,015. Supposing we put the case that the increase of taxation has been 5½ millions, and the military and civil expenditure has increased during the 10 years by Rx. 8,952,000; then the increase of taxation really has little more than covered one half the increase?—That would be so. This increase of taxation is for 1894–95, and in 1895–96 another million came in from the Customs duties—the cotton duties; really this would be 6½ millions. My table here would be 6½ millions.

14,016. Therefore, while the increase of military and civil expenditure has been 9 millions, taxation has been put on for about 6½?—About that; yes.

14,017. (*Sir Ralph Knox.*) As I understand it, however, the main conclusion established by you is that if all the expenditure arising from the fall in the rupee be omitted from the accounts, that total expenditure would stand at an amount less by the sum of 11,156,000?—The total expenditure would be less by 11 millions—you mean the total expenditure in any way due to exchange amounts to 11 millions.

14,018. I say that if that be omitted the amount would be less by that sum?—Oh, yes, yes. If there was no expenditure in exchange, of course there would be a great deal of difference in the expenditure of the Government of India.

14,019. By the sum of 11,156,000?—That would be about the increase. It would be less two millions—a difference of two millions—because of the considerable rise in exchange which has latterly taken place.

14,020. But upon these figures you have put before us that is what it would have been?—Upon these figures, yes.

The witness withdrew.

(Adjourned till Wednesday next at 11 a.m.)

At the India Office, S.W.

THIRTY-SECOND DAY.

Wednesday, 3rd February 1897.

PRESENT:

THE LORD WELBY, G.C.B. (CHAIRMAN, PRESIDING).

The Right Hon. LEONARD COURTNEY, M.P.
Sir WILLIAM WEDDERBURN, Bart., M.P.
Field Marshal SIR DONALD STEWART, Bart., G.C.B., G.C.S.I.
Sir E. W. HAMILTON, K.C.B.
Sir RALPH KNOX, K.C.B.
Sir JAMES PEILE, K.C.S.I.
Sir ANDREW SCOBLE, K.C.S.I., Q.C., M.P.
Mr. G. L. RYDER, C.B.
Mr. T. R. BUCHANAN, M.P.
Mr. DADABHAI NAOROJI.
Mr. R. G. C. MOWBRAY.

Mr. COLIN G. CAMPBELL, *Secretary.*

The Right Honourable the EARL OF NORTHBROOK, G.C.S.I., called in and examined. *The Rt. Hon the Earl of Northbrook, G.C.S.I* 3 Feb. 1897.

14,021. (*Chairman.*) I think you have held many ministerial posts, both here and in India, would you kindly tell the Commission what posts you have held?—I have been connected with Indian affairs for a great many years. I was private secretary to Sir Charles Wood when he was president of the Board of Control in the time of the East India Company, from 1852 to 1855; I was Under Secretary of State for India from 1859 to 1861; I was Under Secretary for War for a few months in 1861; I then was again Under Secretary for India till 1864, and I was again Under Secretary for War from 1868 to 1872. I was Governor-General of India from 1872 to 1876. I do not mention the services I have in other departments.

14,022. May I add that you were First Lord of the Admiralty; it has, I think, a bearing on this question so far as there have been naval questions between England and India?—I was First Lord of the Admiralty in Mr. Gladstone's Government of 1880.

14,023. Have you read the evidence of Sir David Barbour, Sir Auckland Colvin, and Lord Cromer?—Yes.

14,024–5. In your experience had the Financial Member of Council sufficient weight?—Yes; in my experience he had sufficient weight. I agree pretty much with what Lord Cromer says in one of his answers, 13,518. He said that he thought he saw running through the evidence an idea "that the Indian Council consists "merely of a number of heads of departments, each of "whom is interested in pushing forward the views of "his own department, and nothing else," and "that "certainly is not my conception of the Indian Council."

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I entirely agree with Lord Cromer, that the Indian Council is a Cabinet; the members of the Indian Council in my experience did not look only to the interests of their own departments, but to the general interests of the Government, and, as Lord Cromer says, "Of course, every Member of Council has to "be acquainted with the facts of his own depart-"ment, and to put forward the interests of his "department, exactly as the First Lord of the Admi-"ralty and the Minister of War in England, but he "certainly is expected to do more than that" and so on. "I always found the Council," he says, "every "member of it, I may say, very willing to listen to "argument, and to give due weight to financial "considerations." My experience entirely confirms the view Lord Cromer took of the working of the Indian Council as respects financial questions.

14,026. And so far your Lordship would hardly agree with the opinion of Sir David Barbour, that the Finance Minister stood in a somewhat isolated position in the Council?—I can give no opinion, of course, upon that, having had no connection with the Indian Government during the time for which Sir David Barbour and Sir Auckland Colvin formed part of it.

14,027. Sir David Barbour took rather a general ground, saying that he thought, if I recollect, that the different members of Council were heads of departments whose attention was very much centred in making their own departments thoroughly efficient, and probably men who had not studied finance very much, and who therefore did not take a very wide view of financial questions?—Of course I cannot speak to what Sir David Barbour's experience was; I can only say that my experience was not the same.

14,028. We learned from Sir David Barbour, and I think Sir Auckland Colvin agreed in that view, that theoretically the Finance Minister in India has as full control over expenditure as the Chancellor of the Exchequer at home, but that in practice there is considerable difference. Would you agree in that view?—I should agree with the view that the Financial Member of Council in India is pretty much in the same position as the Chancellor of the Exchequer. As regards the difference in practice, it seems to me to depend in India precisely upon the same considerations as in England. In England the power of the Chancellor of the Exchequer depends upon the support of his colleagues, and especially of the Prime Minister; in India the power of the Financial Member of Council depends upon the support of his colleagues, and especially of the Viceroy. I see no difference in practice between the two.

14,029. Has not the Chancellor of the Exchequer in England an advantage in this respect, that if any measure is brought forward which is likely to involve any notable expenditure, he has to warn his colleagues that that expenditure must be the subject of a special vote, and possibly of an increase of taxation; and therefore that the measure which is going to lead to this expenditure must come under the full discussion of Parliament; is not that a check upon his colleagues that the Finance Minister in India has not?—It depends very much upon whether the general disposition of the House of Commons is in favour of economy or not; sometimes in the history of this country it is in favour of economy, and at other times it is the reverse.

14,030. But still the Ministry learns from the Chancellor of the Exchequer that in all probability there will be necessity for discussion in Parliament; and for discussion in Parliament a Ministry would wish to be satisfied beforehand that they had got a good Parliamentary case?—Certainly. I think that the fact that the acceptance of the Budget depends upon a vote of the House of Commons, does constitute a difference between the principles upon which the two Governments are conducted.

14,031. And so far that fact strengthens the hands of the Chancellor of the Exchequer as compared with his Indian colleague?—I could hardly say that, because I think that everyone connected with the Government of India is so strongly impressed with the difficulty of raising fresh taxes in India that there is no member of Council of the Governor-General who is not fully aware of that difficulty, and therefore will not give full weight to financial considerations. I am speaking of my own experience.

14,032. Do you consider that questions involving immediate or contingent expenditure come before the Finance Member as early and as completely as can reasonably be wished?—I think so. I do not think any complaint has been made either by Sir David Barbour, or Sir Auckland Colvin, or Lord Cromer in respect of that part of the business of the Financial Member of Council.

14,033. The question is of importance, because high authorities are agreed that an increase of taxation in India is not only difficult, but in a certain sense a dangerous line of policy?—Yes, I quite agree in that. Perhaps, if your Lordship would specify what kind of measures are referred to, I could give a more definite answer. I should say, generally speaking, that the financial questions which come before the Governor-General's Council, except at the time of the preparation and consideration of the budget, are very small unless in such extraordinary cases as the famine of the present year, for example, where some circumstance occurs which entirely deranges the financial arrangements of the year.

14,034. Supposing, we will say, that a frontier difficulty took place, and the question arose of an expedition; of course it is quite possible that the Government might have committed itself to a line of policy before the question came into discussion in the Council: and in such a case as that is it not possible that a line of policy might be adopted, and that the Finance Minister, not from any intentional omission to consult him, might not have had the opportunity of bringing before the Viceroy and the Council what the financial consequences of that policy must be. That was the kind of measure that was in my mind when I put that former question to you?—I should be giving you a hypothetical answer. I have no recollection of any frontier expedition of importance being proposed in my time. Lord Mayo, who was my predecessor in the office of Governor-General, set his face strongly against frontier expeditions. I am talking now of the north-western frontier. But there was an expedition against the Lushais, which, however, was a matter of no very great financial importance. I could not give an answer, because no case of the kind came before me.

14,035. And, therefore, within your experience, there is no question but that the Finance Minister had ample knowledge of measures affecting finance beforehand?—I have no recollection of any case to the contrary. I will say, as regards general finance, that the Financial Member of Council, in the preparation of the budget, has every opportunity of obtaining information from all the different departments in respect to the money that they want for the coming financial year. He is the person who prepares the budget; he has the initiative in respect to that; therefore there can be no doubt that he can get full information if he pleases upon every matter of expenditure that is to come before the Government of India for decision in the budget. If he does not get sufficient information, I conceive that it can only be from his not having asked for it.

14,036. (*Sir Donald Stewart.*) And would he not have timely notice if there was any chance of an expedition taking place?—It is absolutely certain he must. It would come to the Military Department for an estimate, which would come to the Finance Department, and from the Finance Department to the Financial Member of Council.

14,037. (*Chairman.*) That, of course, would be the case when once the expedition was set on foot. The point to which I was drawing your Lordship's attention was this: circumstances may occur which lead to a line of policy being resolved upon some time before it is necessary to take active measures for giving effect to that line of policy?—The only expedition of that sort I can recollect was against the Lushais. I have no doubt whatever, although I have not referred to the papers, that whether there should be an expedition to punish the Lushais would have come before the Governor-General in Council (I believe it was decided before I arrived), and when it came before the Governor-General in Council the Financial Member of Council would have had an ample opportunity of expressing an opinion upon it, and he, as a sensible man, must have known that the expedition was likely to cost money, and if he had any views as to whether it was likely to involve any further expenditure; he could bring that before the Governor-General in Council. He would have ample opportunity of discussing it in Council in my opinion.

14,038. (*Mr. Courtney.*) May not similar frontier difficulties occur with no more notice to a Chancellor of

the Exchequer? Turning to the analogy of England, our Cabinet and the Chancellor of the Exchequer here, might not similar frontier difficulties be impending ultimately resulting in an expedition of which the Chancellor of the Exchequer would have just the same fore-knowledge, although no call might be made for money until some time after the fact that these troubles were impending was known to him and his colleagues?—I suppose that one ought not to give any information as to what takes place in the Cabinet, but naturally the Chancellor of the Exchequer being a member of the Cabinet, would be able to give his opinion upon any expedition proposed by the Imperial Government in the same way.

14,039. And before the expedition is resolved upon is not the Chancellor of the Exchequer aware that difficulties are thickening?—Most certainly.

14,040–1. In the case of African frontiers, on the west coast, south coast, east coast, or north coast?—Certainly. I think that the positions of the two, the Chancellor of the Exchequer in England and the Financial Member of the Governor-General's Council, are precisely the same. They are both Members of a Council, they have both an opportunity of expressing any opinion before any decision is arrived at by the Government with respect to an expedition, certainly involving immediate expenditure and which might involve ulterior consequences; I cannot put it broader than that.

14,042. But the position of the individual Financial Member of Council, as of the Chancellor of the Exchequer, might depend a good deal upon whether the Prime Minister or Viceroy was severely financial?—It might. It depends also upon his other colleagues in the Cabinet. I cannot say more than that the power of finance in any Government must depend on the support of the colleagues of the Financial Minister and especially of the head of the Government.

14,043. (*Mr. Naoroji.*) But sometimes the Government here resolves upon some policy which the Government of India does not know, and when the Government of India is informed that that policy should be carried out it becomes difficult for the Government of India to do anything contrary to that policy there; they are forced to carry it out if the Cabinet here had determined to have it so. That is the difference, is it not, between the Chancellor of the Exchequer and the Finance Minister. The Finance Minister only knows of the subject when it comes before the Government of India, but with regard to the Chancellor of the Exchequer he knows it from the very beginning of any policy resolved upon by the Cabinet?—I have no recollection in my time of any such case. I do not know of the case the honourable Member alludes to, and I have no recollection of such a case.

14,044. In the frontier war the policy was determined by the Cabinet here?—I have just observed that no expedition on the north-west frontier was undertaken in my time; therefore, I cannot answer hypothetical questions.

14,045. (*Chairman.*) There is this difference between the analogy of the Chancellor of the Exchequer and the Prime Minister, is there not? Shall I not be right in saying that the Prime Minister is the *primus inter pares?* and that the Viceroy is a more powerful person in India than the Prime Minister is here?—I suppose if your Lordship means to say that the Governor-General is more powerful in consequence of the legal power which he has—the power which he has by Act of Parliament to overrule his Council in certain cases—undoubtedly it would be true; but the power of the Prime Minister does not depend, as your Lordship knows, upon any Act of Parliament; it depends upon many circumstances, principally upon the qualities of the individual holding that office.

14,046. Then I think I may gather from your Lordship as your opinion, that the Finance Minister practically had always before him the information which would enable him to lay the financial consequences of measures before the Viceroy and the Council?—I should say so.

14,047. In your opinion, had the Financial Member of Council sufficient weight?—Certainly, in my opinion he had. I am speaking, not of my opinion, but of my experience. I had better put it that way. In my experience he had.

14,048. And you would not think, therefore, that any change is required in regard to his powers?—I should give a decided opinion to the contrary; and, indeed, neither Sir David Barbour nor Sir Auckland Colvin as far as I have read their evidence, suggested any such arrangement to this Commission.

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14,049. At the same time there appeared to be in the minds both of Sir David Barbour and of Sir Auckland Colvin, the impression and the recollection that though theoretically the powers of the Finance Minister were very complete, yet, when they came to put them into practice, there was something wanting?—As I said before, I can only speak from my own experience. I cannot answer for what took place when Sir David Barbour and Sir Auckland Colvin were Financial Members of Council.

14,050. Sir Auckland Colvin seemed to think that there had been a change in the principles of administration within later years, as compared with former years; and would not those former years be the time when you were Governor-General?—No; I do not think Sir Auckland Colvin became Finance Minister until 1883, and I left India in 1876; but I noticed that what your Lordship says appears in Sir Auckland Colvin's evidence. I mean in his answers to Q. 2920 and Q. 3111. I did notice that. In answer to Q. 2920 he said: "Frontier troubles have become "more frequent of late, in consequence of the adoption "of a certain policy"; and then he goes on to say that "since 1885 we have had that disturbing element "constantly present." Then at Q. 3117, he is asked, "Are we to understand that you found that during "the latter part of your tenure of office"—he was, I think, Financial Member of Council from 1883 to 1887—"financial considerations had less weight in "shaping the policy of the Government of India than "during the first period?" And he said, "Very much "so." Those are the two answers that I have noted in respect to that. I have no more power of giving an opinion upon that than any member of the Commission has.

14,051. It seems to point to this: that in practice recent Finance Members of Council have found their position not so strong as was the case during the time with which you were yourself more intimately acquainted?—I should infer that from the answers given by Sir Auckland Colvin, certainly.

14,052. (*Mr. Courtney.*) The difference, however, would appear not to be due so much to a change in the position of the Finance Minister as to a difference in the atmosphere in which he works?—I should say that it came from some change in policy.

14,053. His financial position was unchanged, but his influence may have been lessened in consequence of the motives to which he appealed not being so powerful with his colleagues?—I am speaking still quite hypothetically, only drawing a conclusion from the evidence which I have read.

14,054. I am endeavouring to bring out what his evidence implies?—I should say that his evidence distinctly implies a change of policy about the year 1885.

14,055. (*Chairman.*) The witnesses agree generally that the Viceroy has immense power,—that, if he is inclined in favour of a particular policy, the Government will probably act in that direction; would that, in your opinion, be a correct view of his powers?—It would not be from his actual statutory power, although that is very great; I think that the experience of the Government of India is that the members of Council would be very much inclined to give great weight to the opinion of the Governor-General upon any matter.

14,056. The Governor-General would be a very predominating influence in the Council?—Certainly.

14,057. The members would not like to oppose him?—The legal position of the Governor-General is very strong, and that gives him undoubtedly a very great predominance in regard to any question relating to the Government of India.

14,058. That being so, if the Viceroy appreciates the difficulties of finance in India, and the necessity of cutting his financial coat according to his cloth, the Finance Minister would be safe, would he not; he could ask for no more support than that?—It is a difficult question for me to answer; I can only speak for myself. My opinion is that the Viceroy has great power. You ask me whether, having great power, if he holds a strong view with respect to economy—having that great power, doubtless that view would

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most probably prevail. I do not want to say more than that in answer to the question.

14,059. In that case the Finance Minister could not possibly ask any further security?—I have expressed my opinion that I do not think the Finance Minister requires any further security in the constitution of the Government of India; I do not think that in any case he requires or could be given with advantage any further security than he now possesses, namely, the security of being always able to express his opinion in Council, and, being Finance Minister, to have the initiative in respect to the annual financial arrangements of the Government.

14,060. But it is possible, on the other hand, that the Viceroy might not, as some people might think, sufficiently appreciate those dangers, and might attach more weight to the necessity of pursuing a line of policy than to the financial dangers which attend it. In that case would not the Financial Member of Council be—well, I will only say in a somewhat different position to that in which he would be under such a Viceroy as I was describing in the previous question?—It would not be the Governor-General alone; I think your Lordship is putting forward the Governor-General in rather too strong a manner. If the view of the Governor-General in Council upon any matter was contrary to that of the Financial Member of Council, of course he would have to give way. Your Lordship must recollect that the Government of India is not a government by the Governor-General, but by the Governor-General in Council, and questions of importance are always considered in Council; details, of course, do not come before the Council.

14,061. What I want to put before your Lordship is this: the position of the Finance Minister would be somewhat different, would it not, if he was serving under a Viceroy with an economical tendency, to what he would be if he was serving under a Viceroy, in whom the economical tendency was not so strong?—The question is a hypothetical one; but as your Lordship has put it to me I will give the best answer I can. I can conceive cases in which the view of the Financial Member of Council might be contrary to the views of his colleagues and of the Viceroy in respect to a great question of policy, of expenditure upon an expedition, for example, or any question of that sort, but I cannot conceive it possible that there would be a general tendency on the part of the Viceroy and of the Government of India collectively not to attend to economy upon ordinary questions; I think that upon a great question it is very possible that there might be a difference of opinion, but upon ordinary questions I cannot conceive a case in which the Viceroy would not be desirous to support the Financial Member of Council in respect to economy in administration.

14,062. Of course, there may be cases in which the Viceroy very properly says, "Financial considerations "must give way to the importance of the policy which "I advocate"?—Certainly; that is what I mean.

14,063. But in that case would it not be desirable that the Finance Minister being overruled—and, perhaps, overruled very properly—should have the opportunity of himself stating the financial criticisms which he would offer to that policy, in a form which would come before the Secretary of State?—My impression is, as your Lordship put me that question (which is a very hypothetical one), that in such a case as that the policy would have been sent out to India from the Secretary of State; therefore there would not be the slightest advantage in the Financial Member of Council protesting.

14,064. (*Sir Andrew Scoble.*) As a matter of fact, has not every member of the Viceroy's Council an opportunity of recording his dissent and sending it home to the Secretary of State?—Certainly.

14,065. So that in that way a Finance Minister who disagreed with the general policy of the Government in any particular matter could put his own views fully into writing and send them home for the consideration of the Secretary of State in England?—Certainly, and I believe it is done in certain cases. It is not very frequently done, but it has been done on matters of importance when the Financial Member of Council differed from the policy of the Government. In one case it happened during the time I was Governor-General.

14,066. (*Chairman.*) It is perfectly true that the Finance Minister, and any other member of Council, has a power of recording a dissent; but the record of a dissent is a very formal act. A member of Council who puts a dissent on record must be prepared, must he not, for that dissent being published?—Yes, I think that is true. It is a most important power that a Member of Council has of recording his dissent, and although it is not absolutely necessary for the Government to produce that dissent in Parliament, if asked for, yet I apprehend that it would require very strong reasons indeed to justify a Government in refusing to produce that dissent; and, therefore, a Member of Council might not always be able to put all the considerations which would occur to him in a formal dissent which he would naturally expect might be laid before Parliament and before the public.

14,067. That was in my mind when I was putting the question of communications with the Secretary of State. The Financial Member might have some reasons for questioning the wisdom of a certain policy from the financial point of view, which he might not care to put down in a document which might be published. In such a case, we have been informed, his objection to that policy would be reported home by the Viceroy, probably in the Viceroy's own personal communication to the Secretary of State; but, if the Viceroy is opposed to that policy, would it not often be the case that, although intending to represent the case of his Financial Member of Council fairly, he would not represent that case so strongly as the Finance Minister would do himself? In that case I should like to ask your Lordship whether it might not be an advantage that the Finance Minister should have the right and the power of sending to the Viceroy a private memorandum of his objections, which the Viceroy would, as a matter of course, forward to the Secretary of State?—Your Lordship's question refers rather to the preliminary consideration of measures before they actually come before the Governor-General in Council.

14,068. That certainly is most important in point of time, because that is the time when the Finance Member's reasons might influence the policy?—Taking it from that point of view, I would refer to what Lord Cromer said in his evidence about it. It will be found in his answer to Q. 13,551. He thinks that in many cases it would be very desirable that a confidential memorandum written by the Financial Member of Council, or by any other Member, might be sent to the Secretary of State through the Viceroy. He gives the analogy of his position in Egypt, which he has held with such advantage to the country. He said that he had found it exceedingly useful to send confidential memoranda to the Secretary of State for Foreign Affairs in which he could put forward considerations which he could hardly properly bring into a public despatch, and doubtless that is a very necessary arrangement between diplomatists abroad and the Secretary of State at home. The difference in India is that the Financial Member of India is only one member of the Government and the Viceroy is another, and the Secretary of State in England is himself constitutionally only one of a body in England dealing with questions relating to the Government of India; he is the Secretary of State in Council; so that the communications between the Financial Member of Council and the Viceroy and the Secretary of State are entirely apart, I may say, from the constitutional authorities both in India and in England, and I do not think the two cases are completely analogous. At the same time, I entirely agree with Lord Cromer that there might be cases where it would be very desirable that the Secretary of State should have a full knowledge of the views of the Financial Member of Council, and I believe that in any such case the Governor-General would send to the Secretary of State any confidential memorandum which the Financial Member of Council might desire to submit. Sir Auckland Colvin has, in answer to Q. 2942, given as his opinion that that would be the case. He says, "The Finance "Minister would trust to the Viceroy as a colleague "to give a fair and ample expression of his views, "and I have not the least doubt that he would be right "in so trusting." I do not think that the idea of confidential communications should be confined to only one Member of Council, for in any matter of great interest in respect to any part of the administration I think that the Governor-General would like to send home the view of a Member of Council, so that the Secretary of State might be in full possession of all the information that he could have on the subject. I think myself that such communications might be desirable,

but very rarely; and I believe that there would be no Governor-General who would in such a case hesitate for a moment to send such a communication.

14,069. My point is that, if a man feels strongly upon a subject, he is a better interpreter of his own objections and views than any man, whoever he may be, however fairly, however ably that man may act as interpreter?—Yes, certainly.

14,070. We have been informed that regulations have been made to the effect that, if the Viceroy and Financial Member of Council are outvoted in Council, action has to be suspended pending a reference to the Secretary of State. Do you know of that regulation, and is it one which you think is of any use?—I only know of it by having seen it in Sir Henry Waterfield's evidence, Q. 578. He read before this Commission the regulation to which your Lordship alludes.

14,071-2. But I think we learned from Sir David Barbour that he did not attach very much importance to that regulation?—I think he said in answer to a question that it was of no practical value. I entirely agree with that. Moreover, I think I am bound, as your Lordship has called my attention to this regulation, to say that I entertain great doubt whether it is legal, whether it is within the powers of law that the regulation should have been made. Sir Henry Waterfield says that he quotes from a regulation made in the "Rules and orders for the transaction of business "in the Governor-General's Council." Then he reads the regulation: "In the case of a proposal referred "to the Financial Department under rule 17 or "rule 18"—not having the regulations before me I cannot say what those rules are—"if the Finance "Member of Council does not concur with the initiating "member, and if the Governor-General concurs with "the Finance Member, the papers shall be circulated "to Members of Council, or be brought before Council "at once, as the Governor-General shall direct, but "no order shall be issued on the proposal, unless his "Excellency shall otherwise direct, until the instruc-"tions of the Secretary of State in Council shall have "been received thereon." My own view is (I state it with great deference because I am not a lawyer) that the regulation is *ultra vires*, that is to say, that it does not come within the statutory power given to the Governor-General to make rules and regulations for the transaction of the business in his Council. That power is contained in the India Councils Act of 1861, 24 & 25 Vict. c. 67, s. 8., and these are the words: "It shall be lawful for the Governor-General from "time to time to make rules and orders for the more "convenient transaction of business in the said Council "and any order made or act done in accordance with "such rules or orders shall be deemed to be the order "or act of the Governor-General in Council." That is the statute under which, as I understand it, this regulation has been made. Now it seems to me that that statute only gave to the Governor-General the power to make rules for the more convenient transaction of business, but your Lordship will perceive that this regulation goes far beyond that. It seems to me to interfere with the power of the Governor-General in Council. Business in India is transacted by the Governor-General in Council, and the majority of the Council decides any question that comes before it. This regulation says that in certain cases the majority of the Council may not come to a conclusion upon the question before them, but that it is to be referred to another authority, namely, the Secretary of State for India in Council. It appears to me that the clause of the statute never was intended to cover and does not cover the regulation which has been made, and I consider this to be a matter of very considerable importance. I consider it to be a matter of very considerable importance because arrangements of that kind which take a question out of the cognisance of the Governor-General in Council and refer it home for opinion before the Governor-General in Council has come to a decision upon it, appear to me to open the door to private and confidential arrangements between the Governor-General and one member of the Council and the Secretary of State. Any regulation of that kind might result in important questions being settled in private by communications between the Viceroy, one member of the Council apart from the other members of his Council, and the Secretary of State. I submit that such a method of transacting business would be unconstitutional in the broad sense of the term. Certain powers have been given by Parliament to the Governor-General in Council; certain powers have been given by statute to the Secretary of State for India in Council, and I take it that too great care cannot be taken not to depart from the provisions which have been made by law for the transaction of business, both in England and in India; but, as I said before, not being a lawyer, I am not prepared to say that my opinion is right upon the point of law. At any rate, I think it is a point which ought to be very carefully considered.

14,073. I understand that your Lordship's point is this: that the Act empowers the Governor-General to make regulations for the transaction of business in Council, not, so to speak, to withdraw business from the Council?—Not to alter the constitutional power which the Governor-General in Council has to decide by a majority any question brought before it.

14,074. (*Mr. Buchanan.*) Has not the Viceroy certain power of overruling his Council?—Yes.

14,075. Statutory power; is not this merely a modification of that?—Of course, I cannot express an opinion upon a point of law, but if he has the power to overrule his Council in the case in question, what was the necessity for that regulation?

14,076. Is not this rather in the way of mitigation of that power?—I do not see what right the Governor-General himself individually has to make such a regulation; he has the statutory power given to him of overruling his Council in certain cases, certainly not in every case in which he and the Finance Member may be outvoted, at least I think not. It would depend, of course, upon the importance of the case. I think the provision of the Act of Parliament giving the Governor-General the power to overrule his Council has been quoted by Sir David Barbour. I should like to refer to it. This is the provision; it is in the Act of 33 & 34 Vict. c. 3. s. 5. "Whenever any measure shall "be proposed before the Governor-General of India "in Council whereby the safety, tranquility, or "interests of the British possessions in India, or any "part thereof, are or may be, in the judgment of "the said Governor-General, essentially affected, and "he shall be of opinion either that the measure "proposed ought to be adopted and carried into "execution, or that it ought to be suspended or "rejected, and the majority in Council then present "shall dissent from such opinion, the Governor-"General may on his own authority and responsibility "suspend or reject the measure," and so on. The rest is in regard to dissents. I should say, as the hon. member has asked me the question, that this regulation extends very largely that power, because it confers the power of suspending action not in any case in which in the opinion of the Governor-General, "the safety, "tranquility, or interests of the British possessions "in India are, or may be essentially affected," but in the case of any question in which the Governor-General and the Financial Member of Council may be of one view and the rest of the Council of another; so that it very largely extends that power.

14,077. (*Chairman.*) But I think that we learned from Sir David Barbour that practically that regulation has never been put into effect?—I do not think it can have any practical effect, but I should wish my observations to go in this direction, viz., that I should very strongly object to any rule or regulation which gives to any member of the Council of the Governor-General in India the right to send to the Secretary of State any memorandum. I think it should be done and would be done in all cases where it was necessary by the Governor-General, and it should be left to him; and that no rule or regulation can with advantage be laid down upon the matter. I would go further than that and say that not only can no rule or regulation be laid down with advantage, but I consider that any rule laid down to that effect would be, speaking very broadly, unconstitutional.

14,078. Do you agree in the answer which we have had put before us as to the power of the Viceroy to overrule his Council?—I should like to add that the Governor-General has other powers which the Governor-General has affecting finance to which allusion was not made. There was an important power given to the Governor-General by the 19th section of the Indian Councils Act, 1861, under which no member of the Legislative Council can without the previous sanction of the Governor-General (not the Governor-General in Council, but the Governor-General personally), introduce any measure affecting the public debt or the public revenue of India, or by which any charge

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can be imposed upon such revenue; and there is another provision by which the Governor-General can refuse his assent to any legislative measure passed by the Provincial Councils. That again is a personal power given to the Governor-General, and no measure of that class can be introduced into the Provincial Councils without the previous consent of the Governor-General. There are other measures to which his previous consent is necessary, but they do not touch finance; they touch religion, they touch troops, and they touch relations with foreign princes, but it is a very important power, and it is a power also affecting finance.

14,079. In fact, the Governor-General has the power of preventing any member of Council from taking an initiative in financial proposals; and even after financial proposals have been brought in and discussed in the Council, if he thinks the decision to be one contrary to the interests of the Empire, he can overrule it?—Certainly.

14,080. Is there not some limitation of his power as to that? or rather an instruction as to the manner in which he is to exercise it, namely, that he must be convinced that the measure, if adopted, would prejudice the Empire?—I have no knowledge of any such regulation; I do not see how any regulation can affect the words of the statute.

14,081. (*Mr. Buchanan.*) "The safety and tranquility "of the British possessions"—the words you read from the Act confirm that?—I think that the Governor-General must be guided by the words of the statute in interpreting his powers.

14,082. (*Chairman.*) And those words are:—"Whenever any measure shall be proposed before the "Governor-General of India in Council whereby the "safety, tranquility, or interests of the British possessions in India, or any part thereof, are or may be, in "the judgment of the said Governor-General, essentially affected, and he shall be of opinion either that "the measure proposed ought to be adopted and "carried into execution, or that it ought to be "suspended or rejected, and the majority in Council "then present shall dissent from such opinion, the "Governor-General may on his own authority and "responsibility suspend or reject the measure"?—Those are the words I have read; I do not know that there is anything else.

14,083. (*Mr. Courtney.*) That does not go so far as the suggestion that a general regard for the interests of the Empire would justify the Governor-General in withholding his sanction?—I should not like to put an interpretation upon that section.

14,084. For example, a question might be proposed which would involve trade relations throughout the Empire which might be prejudicial to the Empire at large?—I should not like to take the responsibility of interpreting that section.

14,085. The words used by the noble chairman are different from the words of the statute?—All I say is that the Governor-General, for the time being, must interpret, to the best of his judgment, the words of this statute on his responsibility.

14,086-7. (*Chairman.*) I would remind Mr. Courtney that I was speaking of the Empire of India. Unless your Lordship would wish your attention to be drawn to any other point connected with the position of the Finance Minister, that concludes the questions which I should propose to put to you?—I have no suggestion to make.

14,088. (*Mr. Buchanan.*) Do we gather from your evidence, Lord Northbrook, that you think that the position of the Financial Member of the Viceroy's Council does not want strengthening in any degree?—I do not see how his position can be made by any law or regulation stronger than it now is.

14,089. That is, so far as your experience went at the time that you were in India, there was not a very urgent demand for it?—I never heard of any demand for it.

14,090. No questions of great importance arose whilst you were in India in which there was a diversity of opinion between the Finance Minister and the rest of the members of the Council?—There was a very important question in which I differed from the Finance Minister, Sir Richard Temple. I never heard him complain that he had not a full opportunity of expressing his views.

14,091. But in the interests of the economical government of India, do you think that the interposition of the Finance Minister as the chief guardian of economy in the government of India is sufficiently frequent?—Yes.

14,092. (*Mr. Courtney.*) With respect to that regulation which you hold to be *ultra vires*? I have expressed an opinion with some hesitation; but, still, that is my opinion.

14,093. With respect to that regulation which in your opinion is *ultra vires*, I gather that not only do you think that it is *ultra vires*, but that in itself it is not expedient?—I think it is very objectionable.

14,094. (*Chairman.*) Turning now to the progress of expenditure; of course we should not ask your Lordship to go into any detail upon this point; but as you have seen the evidence that has been given before us, I should like to ask whether, with regard to the progress of civil expenditure, there are any points to which you would call our attention?—I have looked casually through the great mass of information that has been put before the Commission, but I cannot pretend to go through the civil expenditure of India for the last 20 years; it would be quite beyond my power.

14,095. Is there any point in the military expenditure upon which you would express an opinion?—I should say that, speaking generally, the increase in the military expenditure, apart from that which arose from the annexation of Upper Burmah, has mainly arisen from political considerations affecting the North-Western frontier.

14,096. In that answer do you include the additions to the army in 1886, and the frontier expeditions?—I include the additions to the army. I think it arose from circumstances which ensued from political considerations affecting the North-Western frontier, and I should include the most important of the frontier expeditions; not all of them—some of them had nothing to do with the frontier, but most of them.

14,097. In your experience, did you find the military department economical?—Yes, I found it very economical. When I say economical it took the greatest pains to keep up the efficiency of the army, because, when I was in India, the Military Member of the Council was Sir Henry Norman, than whom no man that I know was more determined to keep up the efficiency of the army; but at the same time he took very great care to be economical in regard to details. I would go further than that, and say that the statistics which were put in by Sir Edwin Collen in Appendix No. 21 showing a number of cases in which the Military Department in India—and the Commander in-Chief, I suppose too—had made alterations in the direction of economy, seem to me to prove that great care has been taken to introduce economical changes in the details of the expenditure over which the Government of India has control.

14,098. That brings me to the question of the relations of the Commander-in-Chief and the Military Member of Council. We have learnt that in a certain sense the Military Member of Council was appointed rather as a check upon the Commander-in-Chief?—I do not know why he was appointed. I am not aware of the reasons which made the Government of the day settle to have two military men in the Government of India.

14,099. The point arose in questions put to previous witnesses, whether the military element was over-represented on the Council by there being two members, and I think it was replied that we were warned that we must not assume that the Military Member of Council was simply a second military person on the Council; in fact, that in some sense he might be looked upon as a check upon the Commander-in-Chief?—I cannot say. I have had a good deal to do with military men in the public offices I have held, and I have not found, in matters of detail, that military men are disposed to manage the affairs of the Army without economy. They seem to me often to have been very economical in their views. I do not like the idea of one man checking another. Everybody is working for the good of the public in the Government; but no doubt proposals that came from the Adjutant-General or Quartermaster-General's Department would go to the Military Department of the Government of India, which is the Department of the Military Member of Council, and would be checked and worked out to see what the financial result would be; and in that sense you may say that the Military Member of Council is a check upon the Commander-in-Chief. That is the only sense in which I should put it.

14,100. Is not economical criticism an essential point of all administration? A measure is proposed which is for the benefit of the Service very likely; but, after the details of the measure have been worked out, is not financial criticism of it a different operation, and a very essential one?—It is a most desirable operation, and it is very necessary to see how much the measure is likely to cost; and I think that the system in India is better than the system that we have at home. The system in India is that financial considerations and estimates are worked out in the Military Department; and I think that is better, perhaps, than the system in England, in which the Treasury is supposed to check the War Office. I think the Indian system is better and more economical, perhaps, than the other.

14,101. I think you told us that the Finance Minister has the same power of control that the Chancellor of the Exchequer has here; as I should interpret the Treasury control, it is not that of a minute examination of the military expenditure proposed, but a criticism upon it from the Chancellor of the Exchequer's point of view, namely, how it will affect his Budget?—Well, if I were to go into this question, we should rather be discussing the English arrangements between the different Departments and the Treasury. I have had some experience of this, and I have known questions in which there was very minute control endeavoured to be exercised by the Treasury over the Spending Departments, both Army and Navy.

14,102. Without entering upon that point, I suppose the Finance Minister in India, if his powers correspond with those of the Chancellor of the Exchequer, would have a similar power of commenting upon the details of the expenditure?—Certainly; but I think, as a matter of practice, the Financial Member of Council would accept the calculations of the Military Department. I do not think he would try to check those calculations.

14,103. That is the only point upon which I wished to enter. Is there any part of the military expenditure of India over which the Government of India has no control?—Yes; they have no control over the organisation of the Queen's troops in India.

14,104. That is to say, that measures adopted by the home Government for the improvement of the organisation of the army must, in their financial consequences, be accepted by the Government of India as a condition of their using the Queen's troops?—Yes; the Government of India have no power to deal with that matter. Upon this question of organisation the Government of India and the Secretary of State for India in Council have frequently differed with the War Office. There has been a great deal of remonstrance and correspondence going on between one and the other, and I have no doubt that the members of the Commission have noticed that there have been lists sent in by the Government of India, showing the changes which have been introduced, without, as they allege, India having been consulted, and which have thrown an increased expense upon India.

14,105. That is a point which I think we shall come to shortly, when we come to the apportionment of charges?—As you please; I can refer to it then.

14,106. But perhaps I might ask you whether it is in the power of India to refuse to pay in such cases?—It would be impossible to give India the power to refuse to pay for the Queen's troops that are in India serving under certain regulations. It is absolutely out of the question.

14,107. There is no other point connected with the progress of expenditure upon which you would like to offer a remark?—No, I cannot pretend to speak to any matters of detail.

14,108. Have you paid any attention to the arrangement made for the payment of troops lent by India for service out of that country?—Yes, I have had occasion to give considerable attention to this matter.

14,109. Do you think that fair treatment has been given to India in the apportionment of those charges?—I think that India has been hardly treated.

14,110. Could you go through the various cases and give us your reasons?—The cases will be found in Sir Henry Waterfield's Memorandum in the Appendix, page 364. I think I might take them in the order in which he gives them there.

14,111-2. I suppose you are going to take them from paragraph 16, are you?—Paragraph 19.

14,113-4. Quite so; I see, 19?—Well, I will not go back to anything before the Abyssinian expedition. I think that in the case of the Abyssinian war it was not right to charge India with the ordinary expenditure of the expedition.

14,115. Has not there been some exaggeration in the way in which that charge upon India has been put forward. The actual charge upon India compared with the expenses of these expeditions has been not very large, has it?—I can give a kind of estimate of the amount, but what I was looking at was a question of principle, not a question of money, the question of the equitable dealing with India by the Imperial Government. It is a question more of principle than of money—a great deal.

14,116. The question of amount is a preliminary question; of course the question of principle I quite understand is that which your Lordship is putting forward?—Yes.

14,117-8. But, as a matter of fact, the sums involved have not been very large?—Therefore that makes me regret still more the trouble that has been given about them. I asked Sir Henry Waterfield to be kind enough to give me, if he could, the amount of the extraordinary expenses as compared with the ordinary charges. Members of the Commission, of course, know what I mean by that. The ordinary charges are the ordinary pay and so on of the troops that were employed. The extraordinary expenses comprise the extra pay and every other expense connected with the expedition. Sir Henry Waterfield believes that the extraordinary expenses were a little over 7,000,000*l.* I believe that figure is pretty certain, because the money had to be voted by Parliament, and he believes that the ordinary charges were not more than one-tenth of that, not so much as one-tenth, I think he says, so that India's share came to 600,000*l.* According to his estimate the sum in dispute would be 600,000*l.* In my opinion that ought not to be charged to India with respect to Abyssinia, and I think I can show very good grounds for my opinion. In the first place we will take what a statesman of very great weight, as having been Secretary of State for India for many years, and having also filled other important positions, and that was Lord Kimberley, who said, "In the case "of the war in Abyssinia, I confess I am unable to see "what special interests India had in the matter." That is what he said on March 16th, 1885, in the House of Lords; but I think perhaps the best argument I can use is supplied by the parliamentary paper, House of Commons, No. 8181, presented to Parliament last year, 1896, in respect to the payment for the despatch of the Indian troops to Suakim. I have that paper here, and on reading it through I found that a discussion took place between the Secretary of State for India in Council and the Treasury, in respect to the sending of a regiment to Mombassa, and in the course of that correspondence, the Secretary to the Treasury, Sir Francis Mowatt, I presume representing the Chancellor of the Exchequer, in arguing in favour of charging the ordinary pay of this regiment to India, used this argument: "It seems to my Lords that "a stronger claim can be made out in the present "case for the retention of the charge for ordinary "pay and allowances of the regiment upon Indian "funds than existed in the case of either the "Abyssinian war of 1867 or the Soudan expedition "of 1885." The Commission will see that the Treasury considered that the case of Mombassa was a stronger case than that of the Abyssinian war. Well, the conclusion was in the case of Mombassa that the whole of the expense should be paid by England, and none of the ordinary charges should be paid by India. Therefore, the deliberate conclusion of the Government was that a case which was held by the Treasury to be stronger than that of the Abyssinian war was one in which the Indian Government should not pay. Therefore, it seems to me that it was pretty clear that taking the Treasury point of view in that letter, the charge for the Abyssinian war should not have been made upon India. Lord Lawrence at the time protested very strongly against it, and I cannot conceive what substantial interest any reasonable person could contend that India had in the Abyssinian war. India had hardly any connection with Abyssinia. Abyssinia has not got a port. It could not even be said that there was a port in the Red Sea concerned. It was a question of getting back from the King of Abyssinia certain captives there. Of course, some people talk about prestige, and the idea that

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the prestige of the Indian Government was concerned with the expedition to Abyssinia may have been put forward; but I do not think that anyone who has any knowledge of India would agree with this, or say that India had the slightest interest—any substantial interest, I mean—beyond that common to all members of the Empire, in the Abyssinian war.

14,119. Do you remember the ground upon which the Government decided at the time that India had an interest in Abyssinia?—No; I should like to see that. I never heard of it. I believe a protest was made at the time.

14,120. I am speaking from memory now. Was it not put forward that the Government of India was concerned in this question, because Abyssinia, being within the purview of India, you may say the prestige of the English name must not be endangered by allowing any English official subjects to be taken prisoners?—The idea may have been put forward. I do not think any impartial person would have paid the slightest attention to it.

14,121. (*Mr. Courtney.*) I think I remember a French critic arguing at the time that the war was for the purpose of discovering a sanatorium for English troops?—That would be a better reason than the reason adduced as regards prestige, in my opinion. Then I come to the next case, the Perak expedition. It was a very small one; but in this Perak case I cannot conceive anyone doubting that India has been hardly treated. Here was an expedition beyond the frontier of India, and for which, in order that any portion of the Indian revenue should be applied, it is by statute necessary that there should be an address to the Crown from both Houses of Parliament. I happened to be Governor-General at the time, and I protested against this charge being put upon India. Not only was no notice taken of the protest made by the Government of India, but not even were the statutory addresses from both Houses moved, so that the law was broken, and the charge so made upon India has never been repaid. It has remained charged upon India from that time to this, contrary to the law, and contrary to the protest of the Government of India. That is the case of Perak; that is the second one I have got to deal with, and I think this case is perfectly clear. I do not think that any answer can be given to it. In regard to the expedition sent to Malta, the whole of the expenses both ordinary and extraordinary were very properly paid by the Government of England.

14,122. (*Chairman.*) With regard to the Perak expedition the error which your Lordship points out might possibly be due to the fact that the Straits Settlements had only just ceased to be part of the Indian territory?—The Straits Settlements ceased to form part of Indian territories before 1872, and the expedition took place in 1876, so that it could not have been immediately after that.

14,123. At the end of the sixties I think the transfer took place?—Yes, possibly. The question is a very simple one. Was or was not Perak outside the limits of the Indian empire? It certainly was outside, and troops were sent, and, as I contend, and I believe nobody will deny, the charge was illegally made upon India. I do not say that there was any legal remedy, but still it was illegally made, and I do not think any notice was ever taken of the protest Then, as regards the Afghan war, I leave that out of the question; that is not the sort of case I mean.

14,124. Have you mentioned the Egyptian operation of 1882?—I am coming to that now; that is the next case, the Egyptian campaign of 1882. This was a case with which I individually had a good deal to do. Therefore I should not like to give any very strong opinion against the arrangement that was made. There was no doubt that as regards keeping the Suez Canal open India had a substantial interest. It had an interest. The question was what interest; how much the interest was. In the first instance it was intended that India should pay the whole cost of the expedition that was sent. That was when it was supposed that some very small force would have been sufficient. That was the reason why the Government at that time thought India should pay the whole. The English Government were put to very considerable cost, and we thought that India would be put to a small cost and we thought she might very fairly pay the small cost of the troops sent to Suez. However, the operations became very extended, and it ended in the expedition from India becoming a large expedition. The whole cost was, I think, 1,700,000*l.*, and the ultimate arrangement made between the two Governments, the Government of India and the Government of England, was that India paid 1,200,000*l.* and England paid 500,000*l.** That was the arrangement that was made, and it was accepted by the Government of India, but it certainly was accepted unwillingly. The Government of India thought it had been very hardly treated in the matter, and I think that, looking at it now, I must say that it would have been perhaps better if we had charged India half, that India should have paid 850,000*l.* and England should have paid 850,000*l.* I do not want to press that, because I myself was in the Government at the time; therefore I cannot say that I considered it at the time to be an unfair arrangement.

14,125. But your Lordship is distinctly of opinion that India was interested in the Egyptian expedition?—Yes, in respect to the safety of the Suez Canal. It might be held, if I had to argue the Indian case, apart from my participation in the matter, that, on the whole, one half would have been a fairer charge upon India than the arrangement that was made, but I do not press that. Then I next come to the year 1885, the troops sent to Suakin, that will include all the troops sent to Suakin. I think this was a very bad case In the first instance, the idea was to send an expedition from Suakin into the Soudan in order to break up the force of Osman Digna, and to co-operate with Lord Wolseley's army, which was going to advance against Khartoum. That was the origin of the Indian troops being sent to Suakin in 1885. It was then arranged that the ordinary expenses should be paid by India, and the extraordinary expenses should be paid by England, and I was a party to that arrangement as a member of the Cabinet; but in May 1885 the original plan of sending an expedition from Suakin to break up Osman Digna's force was given up, and the Indian troops were kept at Suakin to garrison the place. The whole of the circumstances were altered. Now, as I said before, by law, it is necessary that an address from both Houses of Parliament should be carried to enable any portion of the revenues of India to be applied to the payment of troops serving out of India, and the address of both Houses of Parliament distinctly said that it was for the purpose of "a military expedition to be "despatched for service in the Soudan and Nubia." The terms of that address covered the expenses at Suakin, between the troops being first sent from India to Suakin and 15th May 1885, when "the expedition "for service in the Soudan and Nubia" was given up, and the troops were retained merely as a garrison at Suakin. I hold that from the 15th of May up to the end of the employment of those troops at Suakin the expenditure of the revenues of India upon the ordinary charges of those troops was not covered by the terms of that address, and, therefore, was contrary to the Act of Parliament. A remonstrance was made to that effect by the Government of India when Lord Dufferin was Governor-General. The address will be found at page 6 of the Parliamentary Paper 8131, and the words are as I quoted them. The Government of India on the 9th February 1886 represented to the Government at home that after the 15th May, 1885, as the object for which the troops were sent was not covered by the terms of the address of both Houses of Parliament, India should be relieved from any payment. The answer to that was, to my mind, most unsatisfactory. The answer was, that in the opinion of the Secretary of State it would be undesirable to raise any question with the Lords Commissioners of Her Majesty's Treasury as to the arrangement under which the ordinary costs of the troops and vessels employed in the expedition to the Soudan is borne by Indian revenues. I think the Commission will see that that was no answer to the contention of the Government of India. The Government of India replied on October 26th of the same year. They said, I think perfectly truly, that "no reason has been assigned for the rejection "of our claim, and Lord Kimberley, who was then "Secretary of State for India, has, I submit, practi-"cally admitted its validity, by allowing that, if

* *Note.*—Since my examination I have been informed that the cost of the expedition to Egypt from India in 1882 was less than I put it at. If this be so, the figures I gave should be altered to meet the facts of the case.—*N.*

See also Q. 15,499 (Sir H. Waterfield, 36th day).

" there was any further detention of Indian troops " at Suakin, the Treasury should be asked to consent " to the ordinary cost of these troops being also " borne by Imperial revenues." Well, it went on. Nothing was done; no request appears to have been made to the Treasury, and the result was that India had still to pay. The next Secretary of State for India appeared to take the same view as Lord Kimberley, and he did not like to write to the Commissioners of the Treasury to ask them to meet what I consider was a legal claim on the part of India for the payment of those expenses. I think, in that case, any impartial person must admit that India has been hardly treated, and that those expenses ought to have been paid.

14,126. May I ask whether you make a distinction between the original intention upon which the resolution of the two Houses of Parliament was based and the change that was made afterwards in keeping the Indian troops in garrison at Suakin?—Yes.

14,127. Would you consider that, if the original plan had been carried out, India was sufficiently interested in the expedition to justify her being called upon to contribute?—If you ask me my opinion, I should say "No, certainly not." I do not think there was a substantial interest of India in any expedition to the Soudan, but my argument rests upon this, that when by a statute the revenues of the Government of India are not to be used excepting after addresses from both Houses of Parliamant, it is essential that the terms of that statute should be strictly adhered to, and, in my opinion, the continued employment of the Indian troops at Suakim as a garrison was not covered by the address. It alone could authorise the expenditure of the money; that is my point. As regards the force sent to Suakim last year, I say that certainly India should not have been charged.

14,128. That is on the same ground that you have just referred to?—On the same ground.

14,129. Namely, that you do not think India was interested?—The Commission will remember that as regards Abyssinia I have quoted a Treasury letter in which the case of Mombassa, in which no charge was made, was held by the Treasury to be a stronger case than either Abyssinia or Suakim, so the Treasury opinion, when they came to look at it impartially, I take it, is pretty clear; and I think I may very fairly observe on this occasion that last year in the House of Lords when the case of Suakim was brought before Parliament, the Secretary of State for India, Lord Kimberley, the Prime Minister, and all the members of the late Government present, voted against charging India, and, moreover, it is a remarkable fact, that two ex-secretaries of the Treasury who have been relieved from their official duties and very properly made members of the House of Lords, the noble Lord who is in the chair, and Lord Lingen, when they came to give their impartial consideration to this question of the charge of the troops upon India, voted against the payment, and I am not quite sure whether my noble friend in the chair did not even speak against it. Therefore, when the immediate pressure is removed and these gentlemen can take an impartial view they take the view which I have been endeavouring to express.

14,130. (*Sir Ralph Knox.*) But it is the duty of an opposition to oppose.

14,131. (*Mr. Buchanan.*) May we ask what line you took yourself, Lord Northbrook, last year?—I took the line of expressing my opinion against the payment, whilst at the same time, as I myself was a member of the Government which authorised a somewhat similar payment, I did not give a vote upon the subject.

14,132. (*Chairman.*) You make a distinction between a permanent official of the Crown acting under the instructions of his chiefs and the same official relieved from those obligations and at liberty to use his own judgment?—Yes, I draw a very great distinction, and I think that a very considerable discount must be allowed to the expressions of the Treasury in the controversial letters which were sent from the Treasury to the India Office.

14,133. (*Mr. Courtney.*) Sir Francis Mowatt might act differently if he acted for himself. What reason did he give for treating the Mombassa case so gently after saying it was so much stronger a case than the case of Abyssinia?—I take it that the Treasury was overruled by the Cabinet. I am only using the letter to show that the Treasury thought the Mombassa case was a stronger one than the other two.

14,134. But if the letter mentioned the other two cases, it must have given some reason for varying conduct in this?—I was not a member of the Government; I do not know. It is the present Government.

14,135. You quoted a letter of Sir Francis Mowatt? (*Mr. Ryder.*) I think the Treasury departmentally maintains its view, but that the Government decided contrary to the Treasury view.

14,136. (*Chairman.*) And therefore, I suppose, Lord Northbrook, you would argue that, if the Government overruled the Treasury in their view that Mombassa ought to be paid for, much more would they pronounce an opinion against making India pay for the Abyssinian expedition?—Certainly, and against the charge for Suakim.

14,137. (*Mr. Ryder.*) Perhaps I may explain that I think the reason that the Treasury thought that the Mombassa case was stronger than that of Abyssinia or Suakim, was that in the case of Mombassa, there were very important commercial interests, there were very many Indian subjects in British East Africa who were dependent upon commerce there, and we argued that India ought, in their interests, to bear at least part of the expenses of sending the troops. There were no such considerations in the case of Abyssinia or Suakim?—I do not understand that there is a question put to me.

14,138. I do not know if I am right in putting an explanation?—I shall be happy to endeavour to answer any question put to me.

14,139. I might turn it into a question by asking whether your Lordship thinks an explanation of that kind is reasonable?—I was not aware that a member of the Commission was responsible for this letter, but I am very glad that he should be present. That view is expressed in Sir Francis Mowatt's letter which I quoted. I think it only makes the case very much stronger, that although this view was put forward, yet the Government did not consider there was a substantial case against India. It makes my case much stronger.

14,140. (*Chairman.*) It was the letter of the Lords Commissioners of the Treasury, not of a member of this Commission?—I beg pardon. I understood Mr. Ryder to speak as if he were responsible for the letter.

14,141. I understood Mr. Ryder merely to give an explanation. [(*Mr. Ryder.*) I happen to be familiar with the correspondence]?—Well, I do not know anything about that.

14,142. (*Sir Ralph Knox.*) It is the case, is it not, that in no instance of these expeditions beyond the frontier of India was any additional charge thrown upon the revenues of India?—I am not certain about that. I am not quite certain. Will you say what you mean by additional charge?

14,143. In declining to pay for the ordinary pay of the Indian troops employed beyond the frontier, the British Government was not throwing any extra charge upon India; in fact, the result would have been that, supposing the pay of the ordinary troops was paid for by the British Government, the Indian Government would have gained so much, as it were, in expenditure during the year?—That is perfectly true; and that argument has been constantly put forward as a ground for making India pay these ordinary charges; but the Government of India and the Secretary of State for India in Council have always protested against it. The Government of India always said "there ought " to be reciprocity between the Governments. If, on " the one hand, you make us pay the ordinary expenses " of troops lent to the English Government, you, on " your side, should pay the ordinary expenses of " English troops lent to us; and as you have never " done it, how is it possible that you, with any degree " of equity, can bring forward the argument that " there is a saving to our estimates. There have been " savings to your estimates. You have never given us " any credit for that." There must be, in a matter of this sort, as the Indian Government have always contended for reciprocity, if the matter is to be decided upon any equitable grounds.

14,144. But do not the British Government undertake to pay the cost of any troops which the Indian Government raise to replace the troops that are withdrawn temporarily for these expeditions; and were not considerable payments made on that account to the Indian Government?—I am not aware. Certainly not in the later expeditions, because no troops were raised. In the case of the Abyssinian war it is possible that

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there may have been some claim of that kind put forward; but I do not know.

14,145. As regards the earlier Egyptian wars, was it not so?—I am not aware; I have never heard of it.

14,156. As regards the argument that your Lordship has just advanced as to the reciprocity, was it not the case, taking the extraordinary instance—when the Indian Government called for the assistance of British troops for the purpose of suppressing the Indian Mutiny—that the Home Government had to replace all the troops that were temporarily despatched to India, and that it did so by raising additional troops and embodying the militia?—I am not aware. I cannot undertake to say what took place at the time of the Indian Mutiny. I do not know.

14,147. (*Chairman.*) I think that is rather an important point, that there has not been reciprocity; but I have not heard in the evidence that has been brought before the Commission any other case in which that could have taken place except the Indian Mutiny case, which, of course, is a very strong one, and in which the India Office has argued that the principle of reciprocity was not observed; but I think that we had evidence put in before us that in that case—I can put the figures very shortly—something like 40 battalions were sent out there and 20 battalions raised here to replace 20 lent to India. So far, of course, according to the bargain England was not called upon to bear that charge. In addition to that, a great number of militia regiments were embodied, and, so far as their cost covered the charge for the other 20 battalions, the same argument holds good. Therefore, to a great extent, I think, the argument that there is no reciprocity breaks down so far as that case goes?—That question appears to me to be rather a leading question. I should demur altogether to that statement. My opinion is that when the troops were sent to India the whole of the expense of those troops was paid for at once.

14,148. I say so; but, pardon me, I did not intend to put to your Lordship a leading question?—If it is the fact that 40 additional regiments were embodied, what happened to England? England saved the whole of the expense of the troops. English estimates were relieved of the whole cost of the regiments sent to India, and had a much smaller charge for the militia, therefore, it was a benefit to English finance for the year.

14,149. Pardon me, suppose 20 battalions were sent to India, and 20 new battalions were raised here, that is no relief to the English Budget. The charge must have been the same as before?—For a certain time there must have been considerable relief to the English budget. I must explain—I really cannot speak upon this with any authority, because I have not read up the details of it, but my impression would be this: a great calamity happens in India; it is necessary to send out large re-inforcements of English troops from England to India; all the regiments we could spare are put on board ship and sent to India. From the moment those men go on board ship the whole of the charge of them is borne by India. It stands to reason that the English Government must at first be saved a considerable expense for the pay of these men. I do not see how it can be denied. Afterwards it may be necessary to raise fresh battalions. It takes a long time to raise fresh battalions. During the whole time these are being raised India pays the whole cost of the battalions sent to India, and that was, I should think, the effect of the Indian Mutiny as between the finances of the two countries, but I could not prove it. That is the natural course of things that would happen. There was no reciprocity at that time. These regiments remained a certain time in India. India, during the whole time, paid the whole cost of those troops.

14,150. I am anxious to come to an agreement with your Lordship upon the facts. You would admit that to whatever extent the raising of new battalions or embodying militia caused an extra charge upon the English Budget, England under the bargain could ask repayment?—Supposing such an extraordinary thing was to happen that the question of the cost of suppressing the Indian mutiny was to be re-opened, of course the British Government must be credited with all that, but the argument of the Government of India, and my argument is this, that according to the principles which have been laid down and which are acted upon between the two Governments, on the one side India pays for the whole of the training of every man that is sent out from England to India, whether it is for a temporary or for a permanent purpose; on the other hand when troops are lent by India to the English Government India is charged in many cases, as I conceive in some cases not quite equitably, with the whole of the ordinary pay of those troops, so that there is a distinct contrast between the two, there is no reciprocity in the arrangement which now exists. Those arrangements might be altered, and there might be reciprocity in the future, but at this moment there is no reciprocity in my opinion.

14,151. (*Mr. Naoroji.*) Did not the British Government send troops from England in the case of the Mutiny for the maintenance of its very existence in India; was not the British interest most vital in that case, and should not that be considered?—I should not like to enter into any political questions of that kind.

14,152. (*Mr. Buchanan.*) With regard to the raising of the extra battalions, would not India have to pay her share in that too?—Not if extra battalions are raised by the Imperial Government at home.

14,153. (*Chairman.*) Do you think that in the case of two partners, like England and India are, it is any hardship for the one party to ask the other party—I am now assuming complete reciprocity in the matter—to assist with her troops, so long as no extra charge is put upon her? Is there in itself any very great hardship in that? Of course, if those troops are paid for by England, India in such a case as that (or it might be England in the reverse case) would actually benefit by a relief of her Budget by the transaction. Do you think that there is any very great hardship in making a call upon India to the extent of any assistance given within the limit of the ordinary Budget of India?—I should divide your Lordship's question into two parts. In the first place, I say that it is clear to anyone that assistance should be readily given by India to any call by the Imperial Government which may be made without any danger to India, either in respect of the considerations affecting the native troops of India, sometimes of very great importance, or otherwise. On the other hand, there can be no question that the Government of this country would be only too ready to assist India if troops were wanted, but when the noble Lord asks me whether I consider it to be a hardship to India that she should be called upon to pay the ordinary expenses, I revert to my original proposition. It certainly would not be a hardship if there was any reciprocity in the matter, but as the Government of India has always contended, there has been no reciprocity. I, therefore, do distinctly say that it is a hardship, and inequitable to charge the ordinary expenses of the troops in such cases, although it does relieve the Indian Budget.

14,154. I quite admit your qualification of what I put before you—namely, that in the one case which has occurred, when England might have been called upon to pay, she did raise troops to replace the troops she lent to India—that in all probability England made a saving, because she did not raise the troops immediately. To whatever extent that is the case, I think your criticism is undeniable; but, to whatever extent she did raise troops to replace those troops that she had lent to India, I think your Lordship would admit that the principle of reciprocity, or rather the bargain of reciprocity, was observed?—There appears to me to be no arrangement whatever that there should be reciprocity in these cases. There is no such arrangement in existence; on the contrary, the full charge has always been put upon India, even, for example, I believe, for the troops that were going to China that were turned over to India at the time of the Mutiny. There has been no reciprocity observed, in my opinion, of any kind in this matter. If you have one arrangement when troops are lent by England to India, and a totally different arrangement when troops are lent by India to England, I say it is not reciprocity. That is the present state of affairs.

14,155–6. But is that quite the case? As I understand it, in no case where India has provided the ordinary pay of troops lent to England has she raised any troops to replace them. I understand the arrangement to be that the moment she raises troops to replace the troops she lends, England repays the ordinary charges of the troops she has borrowed; but in no case has India done that?—There is no reciprocity. You are asking me a

question I could not agree to in the way it is put. I really do not know; I cannot say.

14,157. What I want to arrive at is an understanding of the facts. It has been pleaded to us by India that where England raised troops to replace troops she lent to India, India was called upon to pay the ordinary charge of those troops which were borrowed. So far the understanding or bargain has been observed, that is to say, India, as far as we know—and it has not been pleaded by the India Office to the contrary—has not been called upon to pay the ordinary charges on any occasion when she replaced troops lent to England. That is on the one side. On the other side it has been averred by India that the bargain has not been observed by England. Only one case has been brought before us, viz., that of the Indian Mutiny, in which troops have been lent by England to India; and in the case of the Indian Mutiny, as a matter of fact, I ventured to point out from the evidence already before us that England did replace the troops lent to India. Your Lordship very properly pointed out that those troops were probably not raised until some time after the troops we had lent to India had gone upon the Indian Budget; and to that extent I entirely accept that reciprocity was not carried out; but, so far as troops were raised, do you admit that there was no ground for asking England to pay the ordinary charges under the bargain?—I have not seen the bargain. If the noble lord would kindly refer me to any despatch which shows the principle upon which this is done I shall be ready to answer the question. My impression was that the only arrangement between the two Governments was that whenever any troops were sent from England to India, the Indian Government have to pay first the whole cost of training these men as recruits, and secondly the whole of their pay from the time that they embark from this country to go to India to the time they return. That, as I understand it, is the only arrangement or condition of the employment of English troops when they are lent to India. Well, I say that when Indian troops are lent to the Government of England, not only does the Government of England pay nothing for their raising and maintenance, but they make India pay in some cases for the ordinary pay. That is what I understand to be the arrangement between the two countries, and I say there is no reciprocity between the two countries in that arrangement. I do not see that I can go further than that. I do not see myself what the other collateral statement has got to do with the question.

(*Sir Donald Stewart.*) But there must be some qualification of the Chairman's way of putting the case. How about the regiments which were diverted from the China Expedition to India for a short time?

(*Chairman.*) I suppose they went on the Indian Establishment just like the regiments sent from here, did they not?

(*Sir Donald Stewart.*) They were lent for a very temporary purpose.

(*Chairman.*) Yes.

(*Sir Donald Stewart.*) There could have been no regiments raised in room of those lent for such a very temporary purpose.

(*Chairman.*) Quite so. I am saying throughout that there was no reciprocity to whatever extent troops were not raised to replace those lent; only we have evidence that a very large part of that force lent to India was replaced, and I think, Sir Donald, you will recollect that the India Office have ignored the fact—that is to say, perhaps they do not know that troops were raised to replace the troops lent to India.

(*Sir Donald Stuart.*) It is perfectly well known.

(*Chairman.*) Well, it was not put forward on the Indian side.

(*Mr. Buchanan.*) There are two other cases given where extra British troops were sent to India, the Sutlej Campaign of 1845, and the Punjaub Campaign of 1849, where in the same way India had to bear the whole charges of those troops from the day they were embarked. That is in a despatch moved for by your Lordship in the House of Lords.

(*Sir Ralph Knox.*) Your Lordship has just stated that these troops were *lent* to England, and that therefore there was no reciprocity as compared with the circumstances of the loan of the troops for the Indian Mutiny; but have not these charges always been paid by India really on the assumption—I do not say it is anything more than an assumption—that India's interest was involved in the objects of the expedition as well as the Imperial or the home interest; is not that the principle which has always governed these arrangements?—That may be so, but my contention was that there was no substantial interest to India, say, in the Abyssinian War.

14,158. And practically that is the point which your Lordship questioned, your Lordship's view being that India's interests were not involved in these various transpontine expeditions?—Yes.

14,159. But supposing India's interest was involved, you would not see any objection to their bearing the ordinary charge for the troops, would you?—Certainly not.

(*Mr. Naoroji.*) But has India any voice in the matter; is India a partner at all. As it is shown all along, India is no partner at all, because India has no voice whatever. The Government of India is simply a branch of the British Government, and the British Government decides, as among the different departments here they may discuss as much as they like, but to say that India is a partner, and India having any voice whatever, is to assume a thing that does not exist.

14,160. (*Mr. Mowbray.*) As a matter of fact, the 1,700,000*l.* that you have given us as the cost of the troops in the Egyptian campaign, did that represent only the ordinary expenses which India would have had to bear if they had not been sent?—No, the figures that I have got for the operations in Egypt in 1882 show both the ordinary and the extraordinary expense. The whole cost of the Indian part of the expedition, as I am informed, came to 1,700,000*l.*

14,161. Yes?—Of that England paid half a million and India 1,200,000*l.*

14,162. I wanted to have that clearly, because I wanted just to ask you whether——?—There was no division between ordinary and extraordinary expenses on that occasion.

14,163. Exactly, the 1,200,000*l.* which was ultimately charged to India cannot be said to represent only the ordinary charges of the Indian troops?—Taking the calculation of, say, one-seventh, being the ordinary charges, of course India paid a great deal more than the ordinary charges in that case.

14,164. (*Sir Ralph Knox.*) But that sum of 1,200,000*l.* included the ordinary charges?—The total sum of 1,700,000*l.* includes all charges. If you assume that the ordinary charges are one-tenth of that, and they probably were something of that sort, that would give you an idea as to what the ordinary charges would have been. But this is only an estimate, I could not say that is the figure.

14,165. (*Chairman.*) Now you have gone through and brought before us the grounds for the differences of opinion between the two Governments?—I should like to be allowed to sum it up before you go to the next question.

14,166. Yes, if you please?—To sum up what I have put before the Commission with respect to these cases of troops lent to India, I think certainly that, if the ordinary charges of that Abyssinian war were 600,000*l.*, that is a sum of money which India has a fair and equitable ground to claim. The whole of the Perak ordinary charges ought certainly, I think, to be paid. I will take the Suakim charges to be about 200,000*l.*, I do not know exactly what they were, but whatever the charges for Suakim were, I think the whole of the garrison charges at Suakim ought to be refunded to India. My opinion is that, on equitable grounds, 350,000*l.* ought to be given to India in respect of the Egyptian Expedition of 1882, so that the charges should be divided between the two Governments, and I think that those sums ought, either directly, or in some other equitable manner, to be allowed to India now. I do not see any reason why it should be considered that because India has been inequitably treated, and in some cases, in my opinion, illegally treated during many years, that that treatment should not be redressed by some action at the present time. that concludes all that I have to say upon that matter.

14,167. Well, that shows the differences of opinion which have occurred between the English and the Indian Governments on these important points of policy, and it leads me to the question whether you have considered any method by which such differences of opinion could be reconciled and avoided in the future?—Yes. I have

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considered this matter pretty carefully, and I would say in the first place that I agree in the main with the propositions which are laid down in a letter addressed by Lord George Hamilton to the Governor-General of India in Council on the 30th June, 1896, which was laid before Parliament, page 30, number 8131, Papers connected with the Suakim Expedition. Lord George Hamilton says that: "It may be laid down that on all occasions "when the temporary loan of a military force is "urgently required, either by Great Britain or by "India, such assistance will be promptly given, so far "as the ability, resources, and situation of either "country at the time may permit. In the next place, "it would seem to be established that, if the object for "which such assistance is required is one in which the "Government supplying the troops has no special "interest beyond that which must be common to all "members of the Empire, the whole cost of the force, "so long as it is required, including both ordinary and "extraordinary charges, must be borne by the "Government that needs its assistance." That is the second of his propositions. The third is: "In "the third place, if the circumstances are such that the "Government supplying the troops has a distinct and "special interest in the matter at stake, then, although "that interest may be less strong than that of the "Government requiring assistance, the Government "supplying the troops should be content to bear, in one "form or another, a portion of the burden which the "operations involve." I think this third proposition would be generally assented to. I prefer myself the wording which I found in memoranda written by two members of the Indian Council, by Sir Donald Stewart and Sir James Peile. I think the words "direct and substantial" are better than "distinct and special." I really do not know what "distinct and special" means.

14,168–70. Have the memoranda of Sir Donald Stewart and Sir James Peile been published?—They were both laid before Parliament at the time. I do not know what "distinct and special" exactly means; but with that exception, and a consideration of some of the wording, I think those propositions might be agreed to. But those propositions, however good they may be, if they were agreed to, would still leave the matter precisely in the condition in which it now is, for who is to decide whether there is a direct and substantial interest or not? and therefore it seems to me to be absolutely necessary to do something to supplement that proposal by settling who is to decide. I find that in the course of this correspondence, Lord Cross, when he was Secretary of State for India, wrote a letter to the Government of India on the 3rd February, 1887. He said that he took the opportunity to urge upon the Treasury that "in the event of any "occasion hereafter arising for the employment of "Indian troops on duties not directly attributable to "the requirements of your Government or at a distance "from India, no portion of the expense should be "charged against India without your Excellency's "concurrence." The opinion, therefore, expressed by the Secretary of State for India in Council was that in future cases the Government of India should decide whether there were or were not direct and substantial Indian interests involved. Sir Henry Fowler, who was Secretary of State for India, expressed his opinion to the same effect. On July 6th, in the House of Commons, he said; "Who is to be judge as to whether "India has *this* interest or not. I think Lord Cross "gave the right answer when he says the Government "of India," so that you have an opinion by Lord Cross and by Sir Henry Fowler that the Government of India should decide. While I agree with that opinion I do not think it would be at all unfair to the British Government that this view should be accepted. I think the Chairman has pointed out when he was examining me that these questions of ordinary charges are not very big financial questions, the real question is the extraordinary expenses in those expeditions. The financial question is really, as between two great Governments, a matter of minor importance. I think that if you want to make a settlement which would be satisfactory to India, and settle these disputes for good, this suggestion is the best that I have seen. The Government of India is a very big Government. I cannot conceive it possible that they would take a limited and narrow view of such questions. I think they would be quite prepared to deal with them on broad grounds if the decision was left with them. I do not think it would require an Act of Parliament. I think if there was a Treasury minute, accepted by the Government of this country, and by the India Office to this effect, the matter would be settled. In any arrangement of this kind it is absolutely necessary to remember the statutory rights of the Secretary of State for India in Council, to whom by law the protection of the revenues of India is entrusted; and it is impossible by any arrangement that anybody may suggest to preclude the power of Parliament to decide in whatever way it pleases upon a question of this sort; so that this arrangement would be quite outside the statutory rights of the Secretary of State for India in Council, and the power of Parliament. It may be said that, notwithstanding the arrangement, it might be upset on the one hand or the other by the Secretary of State for India in Council or by Parliament, but I am confident that if an arrangement of this kind were made deliberately and formally, it would be a thousand chances to one against any further question being raised either in the Council of the Secretary of State for India or in Parliament, so that I should not attach any importance to the objection. That is the best suggestion I can make to the ommission on this matter.

14,171. Is not that open to this criticism, that the Indian Government is made the last and sole judge of what Sir Donald Stewart and Sir James Peile define as "the direct and substantial interest of India"; and to give effect to the suggestion which your Lordship has made, would it not be desirable that an endeavour should be made, we will say in the Treasury Minute to which you have alluded, to give some general definition, or some attempt at a definition, of what is meant by a direct and substantial interest?—I think if anything of that sort could be done, it would be a decided improvement upon my suggestion.

14,172. Somebody or other will have to decide what is a direct and substantial interest, and, if that duty is put upon the Indian Government in each individual case, it should be possible to lay down some general rules for their guidance beforehand?—If that could be done it would be still better. I quite admit that my suggestion is apparently a concession on the part of this Government to India, but I do not think it is a concession that the Government need be the least afraid of making, and therefore I invite it.

14,173. (*Mr. Courtney.*) Would you couple it with a reciprocal proviso in the case of our lending troops again to India?—Certainly.

14,174. That we should always determine whether we had a direct and substantial interest?—Certainly. I think it should be reciprocal that the Government of England must decide in that case. It is only just that the alternative should be given to England, but I think while the Indian case arises frequently, the other case is likely very seldom to occur.

14,175. (*Chairman.*) Do you think it would be a feasible task to lay down some general rules which might guide the two governments?—I should like to consider that. I think it would be possible; but I do not know whether it would be very difficult.

14,176. I will take such a case as this—a very simple case—in which I think most people are agreed. We will say, the first might be that India is distinctly interested in the keeping open of the Suez Canal, and that the questions affecting the Suez Canal would be held as having a direct and substantial interest for India. I have only given you that as a sample?—In my individual opinion I should say that the keeping open of the Suez Canal had a direct and substantial interest for India, and that, therefore, India should be called upon to pay something.

14,177. I am only giving that as an instance of the kind of rule that might be laid down in this Treasury Minute?—Exactly.

14,178. Then, again, you will remember in old times there was a definition, for the purpose of trading, of the limits of the East India Company; from the Cape eastward were held to be waters in which the East India Company had an interest?—Yes, I believe there was.

14,179. I am not proposing for a moment that everything inside that line should be held to have an interest for India, but, perhaps, anything outside that line should be held not to have an interest for India?—I think that is a matter that would require very great care. I should be very sorry to give a hasty opinion upon a matter of that importance.

14,180. (*Sir Ralph Knox.*) Would you contemplate the sending of troops to India which are not to be charged to India?—In sending European troops to

India, as I said in answer to Mr. Courtney just now, I think I should let the English Government have the absolute decision. I prefer this myself to any arbitration; I think it is simpler.

14,181. (*Chairman.*) It has this advantage, that it is very difficult, in a question of policy such as the interest of India or England respectively in certain expeditions, to find the arbitrator to whom you could refer.—I should be very sorry to be the arbitrator.

14,182–3. (*Mr. Buchanan.*) I did not quite understand, Lord Northbrook, what your suggestion actually was. Was it this: that a Minute was to be drawn up between the Public Departments at home, between the Treasury and the India Office, and the other departments at home by which for the future when this country wanted to use Indian troops outside the bounds of India, the Government of India was to determine whether it was to pay any part of the charges, and what part. Was that your suggestion?—It was not quite that. I began with the three principles laid down by Lord George Hamilton, and it was in respect of the third of these that I proposed a way to settle it. The first, about the employment of Indian troops out of India, I may put aside. That is a political question. The question whether Indian troops are to be employed or not must rest with the Imperial Government. As to the employment of the troops the responsibility must rest with them, and there can be no question about that. The second of Lord George Hamilton's proposals was that "where there was no special interest beyond that "which must be common to all members of the Empire, "the whole cost of the force, so long as it is required, "including both ordinary and extraordinary charges, "must be borne by the Government that needs its assistance." Well, I think that No. 2 is very much met by the suggestion of Lord Welby. It might be laid down, for example, that with respect to any troops in the Mediterranean, clearly there is no special interest for India. On the other hand, when any troops are employed within a certain area, it would be a question whether there was or was not a special interest, so that I think that might be laid down in the Minute which I propose. It is No. 3 which really comes to the question. "If the circumstances are such that "the Government supplying the troops has a distinct "and special interest in the matter at stake, then, "although that interest may be less strong than that "of the Government requiring assistance, the Govern-"ment supplying the troops should be content to bear, "in one form or another, a portion of the burden." Practically that usually comes to the payment of the ordinary charges. I suggest in that case that the decision whether there is or is not a direct and substantial interest for India might be decided by the Government of India.

14,184. Then do I understand that the Minute you suggest would lay down under the second condition certain limitations, such as have been suggested by the chairman?—I think that might be done.

14,185. In this Minute?—Of course, in the Minute no reference is to be made to the first condition, because that is not a matter for the Treasury or the India Office to settle. As to the second condition, the Minute might be written in something like this form—that my Lords, having had under consideration the great differences of opinion which have arisen between the Secretary of State for India in Council and the Treasury as regards the payment of troops, think it desirable to lay down for future guidance certain considerations accepted by both sides; then to go on to say that the whole expenses of Indian troops in the Mediterranean would, of course, be paid by England; then, with regard to the employment of troops within a certain area, it may be a question or not whether Indian interests are or are not substantially affected. Then, as to the third condition, that when the question arises whether there is a direct and substantial interest of India in the employment of troops in a certain expedition, Her Majesty's Government would be prepared to accept the conclusion arrived at by the Governor-General of India in Council, and that the Secretary of State for India in Council had agreed to that arrangement. It would then be binding so far as it can be between the two Governments. Of course, this Treasury Minute, as I said before, would leave untouched the statutory power, on the one hand, of the Secretary of State for India in Council, and on the other the supreme power of the Imperial Parliament.

14,186. With regard to the third condition, would the decision of the Government of India, which is to be decisive in the matter, only affect ordinary expenses, and would the extraordinary expenses of any expedition sent to India by command of the Imperial Government always be borne by the Home Government?—I could not say that. No. 3 is only whether there is to be a division between the two.

14,187. But in your proposed Minute, would you allow the Government of India a discretion to say whether it would bear any of the expenditure, the ordinary only, or the ordinary and part of the extraordinary, or all?—I would leave the Government of India, if it chose, to take a part in the extraordinary. Take the despatch of the troops from India to Suez in the first Egyptian War of 1882, I think it is quite possible that the Government of India might have said: "We are prepared to halve the whole expenditure." I think it might be left to them to say that. I would not deprive the Government of India of the opportunity of saying we are prepared to accept a portion of the extraordinary expenses as well as the ordinary charges.

14,188. And the proposed action of the Government of India under this Minute is to be subject to the approval of the Secretary of State in Council here?—No, I think the Secretary of State in Council must be prepared to delegate that power to the Government of India, always reserving their Statutory powers; I always reserve that, but I think as matter of practice they ought to be prepared to delegate that power to the Government of India, because unless you did that you would have the same correspondence over again, you would have the same difference of opinion and you would not settle the matter.

14,189. Is the Secretary of State on behalf of the India Office to agree in advance to this Minute?—Yes, I think the Minute must be concurred in by the Secretary of State for India in Council. I do not think it is necessary to refer it to the Government of India; the Secretary of State for India in Council is by Parliament entrusted with the duty of protecting the Indian revenues, and I think if he and the Home Government agreed in a Minute of that sort it would not be necessary to consult the Government of India on the details of that Minute. I would confide in the Secretary of State for India in Council in that matter.

14,190. Well, then, with regard to the statutory powers, I gather from what you have just said you would not propose to alter the Government of India Act, clause 55?—No, I think there is a very great advantage in not proposing to alter the Act, from the very great difficulty of carrying any Bill of that sort through Parliament to begin with. Then I think it would be exceedingly difficult to put the arrangement into a statutory form. I do not see my way to bring any agreement of this kind within the four corners of an Act of Parliament.

14,191. I suppose we may take it from you that your opinion is that the safeguard to the revenues of India, which is intended to be given by section 55, has not been effective?—I should not like to say that, but I would say this most distinctly: that although the transference of the Government of India from the East India Company to the Crown was absolutely necessary from a political point of view, India was more effectively protected by the old East India Company than now by the Secretary of State for India in Council against such charges as we have been considering. The Old East India Company were a body independent of the Crown, they had their representatives in Parliament. they could fight their case with the Government of England and were in a far better position than the Secretary of State for India in Council can possibly be. because the Secretary of State for India is a member of the Cabinet. I have never been Secretary of State for India, but I can well understand that it requires a very strong case indeed for the members of the Indian Council to oppose the Secretary of State and the decision of the English Cabinet. They are in a totally different position to the Old East India Company, who were to a great extent independent of the Crown. I have no doubt the members of the Council of India perform their duty to the best of their ability, taking into consideration all the circumstances of each particular case; but I am bound to say I think the old protection, as regards these financial questions, putting

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aside any questions of policy altogether, was much stronger in the hands of the old East India Company.

14,192. That is as strong a statement, I think, as one could expect to have; and surely it might be fortified by your former evidence, in which you have shown that you yourself have disapproved of almost all the charges that have been put upon the Government of India with regard to these military expeditions since the time of the Abyssinian Expedition, and yet that no effective means have been supplied by this section 55 of the Government of India Act for taking these charges off the Exchequer of India?—I had nothing to do myself with the Abyssinian Expedition, it was before my time; but I had to do with one case, that of Perak, and I have had indirectly to do with the others, and I do not object to the interpretation which you have put upon my evidence.

14,193. With regard to Perak in particular you at that time were Governor-General of India, and not only do you think that section 55 fails to protect the revenues of India, but I gather from you that the statute in that case was not observed?—In my opinion the statute was distinctly neglected in this respect: namely, that there was no address from both Houses of Parliament, which is an essential condition according to law for the application of the revenues of India to any expedition beyond the frontiers of India, and the charge was made upon India notwithstanding a remonstrance from the Government of India. I do not think there could be a stronger case to show that there was not sufficient protection here for the revenues of India.

14,194. That showed not merely that there was insufficient protection but that there was actually an evasion of the statute?—In my opinion; I am expressing my opinion.

14,195. In your opinion it was an illegal charge?—An illegal charge; it was an unconstitutional charge, perhaps I ought to say, for I do not see that there was any legal remedy.

14,196. There was no remedy; no form of audit which would call attention to that?—I do not suppose an action of *quo warranto* would have lain against the English Government.

14,197. What I was leading up to was this, seeing that under the operation of section 55 the Government of India have no financial protection, and that these questions are determined by the vote of Parliament, and under parliamentary consideration here at home, would it not be desirable, if we are to make a new scheme effective, such as you suggest, that we should have some alteration of the statute and give your new scheme, or some such scheme, statutory confirmation?—I do not think I should quite accept the way in which the question is put. I do not say that there has been no protection of the finances of India from the Secretary of State for India in Council. I have no doubt there has been a very considerable protection; all I said was that I did not think that protection was so strong as it used to be when the East India Company existed.

14,198. Well, you would allow that there has been insufficient protection?—Yes, in some cases I think that the protection was from circumstances not so sufficient as I should have wished. I would go that far, but I think if the question is asked me whether I would advise any alteration in the Act, giving some stronger protection to the Indian revenues than is now given by the statute, I think I should answer in the negative. I do not think it could practically work; it might bring on a collision between the Secretary of State for India in Council and the English Government, probably the English Government of the time would be a strong Government; the effect would then be that the law would be altered and the Council would be swept away. I do not think it would be of any value in the end; I would sooner leave the statute as it is.

14,199. As a matter of fact the Indian Government in the past have objected to all these charges—they objected to the charge for Abyssinia; they objected to the charge for the Egyptian Expedition; they objected to the charge for both the Suakin Expeditions—and they were always overruled?—The Government of India, not the Secretary of State for India in Council.

14,200. No; the Government of India. Now you propose to give the Government of India by this minute the power of deciding as to the question of charge?—Yes.

14,201. That Minute has no statutory obligation; the statutory obligation under section 55 still subsists. There would still be a necessity for bringing forward that resolution in both Houses of Parliament on the subject—shall we really be any better off in future than we are at present?—I think so, for this reason, that if there was a deliberate arrangement of this sort between the Cabinet and the Secretary of State for India in Council, and a Treasury Minute of that kind was put on record I think it would be a very strong case indeed, and in all probability so strong a case that Parliament would not support the Government if that arrangement was upset, so I think it would be a better protection than altering the Act of Parliament.

14,202. Supposing a Government came forward with a large majority and determined to overrule the opinion of the Government of India, as it has done in the past, would it not be equally able to do it in the future, so long as section 55 existed?—It would be very much more difficult for them to do it, and I must add to that that the reason why I advocate this course is that the financial—the real financial questions between the two Governments—were a matter of very small importance, with the exception of Abyssinia. That was a biggish question, but with regard to all those others, of a question of 100,000*l.* more or less, I do not think any Government would go against an arrangement of this sort and go to Parliament with the chance of their being opposed for a small financial object. If it was a great financial object the objection would be stronger, but these financial questions which have occasioned so much trouble in India and at home are really hardly worth the time that has been spent in arguing them.

14,203. But if an alteration could be made in the statute so as to give your scheme statutory obligation, it would be to that extent improved?—I do not think so. I have expressed the opinion that I should be very shy in altering that statute. I really do not know when we come to altering the constitution of the Government of India and of the Secretary of State for India in Council where it would end. It would require, in order that I should express an opinion upon this question, that I should see what the proposed alteration of the statute was first, before giving an opinion. My impression is decidedly against altering the statute.

14,204. (*Chairman.*) In the case of the omission to obtain a resolution of the two Houses in regard to the Perak expedition, is it not rather singular that the Indian Audit Office did not report that? I do not know anything about the working of the India Audit Office.

14,205. You would be of opinion, probably, that a really independent auditor ought to report such laches?—I do not know to whom he would report; he may have reported for all I know.

14,206. If an independent auditor really performs the functions for which an auditor is instituted, such an omission as that ought to be reported, ought it not?—I know there is an Auditor of Indian Accounts in England, but what his precise functions are I really could not say.

14,207. (*Mr. Mowbray.*) Do you know whether this was reported or not by that auditor? I do not know at all. I was in India at the time. I could not know what took place in this country.

14,208. (*Sir Andrew Scoble.*) Do you think the auditor would have more power than the Governor-General in Council to bring that sort of thing to notice?—I was alluding to the auditor in England. I do not think it would come to the notice of the Indian Auditor.

14,209. (*Chairman.*) The real auditor of Indian expenditure is the Comptroller and Auditor-General in India; the auditor here is the Auditor of Home Accounts?—I think the Comptroller and Auditor-General in India could not take notice of a matter of this kind; it would be outside his cognisance.

14,210. I suggest that the Comptroller and Auditor-General in England would certainly think such a matter within his cognisance, and would be prompt to report that the Government had been guilty of such an omission?—I know nothing about the business of the Audit Office.

14,211. (*Mr. Mowbray.*) I suppose the Viceroy protested at the time?—Yes.

14,212. There was no question about this having passed without notice?—Certainly.

14,213. Every possible action was taken to draw the attention of the English Government through the India Office to what was considered by the Indian Government as an illegal measure?—The despatch was quoted in one of the papers from which I have already quoted—the Suakim correspondence. The Government of India say, "Turning now to the cost of the Perak Expedition, &c."

14,214. (*Chairman.*) What page is that?—Page 5, paragraph 10, "It is to be observed that on April 14, 1876, the Government of India addressed a despatch, "No. 146, to the Secretary of State, in which it was "urged that 'if the precedent of the Abyssinian case "'be followed in the present instance, a principle will "'be established which is, in our opinion, inequitable "'to the Indian revenue.'" I do not know what more they could say.

14,215. That does not call attention to the fact that the sanction of the two Houses was required?—That was quite out of my cognisance; I was in India; I had no idea that the law would not be followed by the Secretary of State in England.

14,216. But the Comptroller and Auditor-General here reports to Parliament excess payments, or unauthorised payments, on the part of the Government, and he is an officer of Parliament for that purpose. There is no such functionary in India, because the report would be made by an officer of the Viceroy's Government to the Viceroy's Government?—Yes.

14,217. (*Mr. Courtney.*) The Viceroy's Government themselves all the while protested against it?—I do not think the Auditor-General in India could have taken cognisance of whether or not the Secretary of State for India had asked the Houses of Parliament here to move an address; I think it would have been quite outside his functions. He would not have had the materials to go upon; he has to deal with certain accounts, and to see whether there is sufficient authority for the payments which come under his cognisance. This would have been quite outside his duties.

14,218. (*Mr. Mowbray.*) Could you as Viceroy have refused to send the troops, or refused to pay the troops, on the ground that the necessary address had not been passed through the Houses of Parliament?—Certainly not. I had to obey the orders of the Government at home to send the troops.

14,219. The responsibility lies with the Secretary of State and not with the Viceroy?—I should not like to say where the responsibility lay: I can only say I had no option.

14,220. You were acting under the orders of the Secretary of State?—Certainly. No Governor-General would think for a moment of hesitating to comply with any orders that he received from home, whatever the financial arrangements might be about them; the first thing he would do would be to do what was necessary.

14,221. And you would naturally assume that the Secretary of State had taken the necessary legal steps?—I assumed nothing; all I did was to protest against the payment being made, and in doing that, I consider I fulfilled my duty and I had no other course to take.

14,222. (*Chairman.*) You mentioned just now that in old times the East India Company could more effectively oppose the Government than the present Indian Government. It was the case, was it not, that the Board of Control in the last resort could overrule the Company?—The Board of Control had the power of issuing any order, which order—I think it was through the Secret Committee of the Court of Directors; I am speaking now from a recollection of very many years ago—but, I believe, the President of the Board of Control had the power through the Secret Committee of giving any order he pleased to the Government of India. I think Lord Broughton—he was then Sir John Hobhouse—ordered the first Afghan war.

14,223. He being President of the Board of Control?—He being President of the Board of Control. I believe I am not mistaken that he, on some occasion, said that he gave the order, and that he was responsible. Of course, that order involved an enormous expenditure, but that is a different thing from the kind of expenditure which we have been considering. I have no doubt, for example, on a subject which I shall come to, in the course of the rest of the examination, the subject of the non-effective charge, I have no doubt that when the question of the non-effective charge was argued out between the Court of Directors and the English Government, which ended with the passing of the Act under which 60,000*l.* a year was paid for non-effective charge, I have no doubt that was the result of a long correspondence between the Court of Directors and the English Government, in which there were concessions made on both sides; the Court of Directors urging the claims of India and the English Government getting as much as they could for the Exchequer. It is in that kind of case in which the independent position of the Court of Directors was to my mind much more effective than the present system. You must remember that the Court of Directors had their members in Parliament. They were members of the House of Commons, and very able men too. I remember Sir James Hogg, who was for a very long time a Member of Parliament, and a very strong Member of Parliament, and no Government would have liked to have his opposition to anything that was done, and the opposition of many men who supported the East India Company in the House of Commons. It was a very strong Parliamentary position that the East India Company held, as everyone who watched the course of the debates when the Government by the East India Company was abolished, must be aware of.

14,224. You mentioned that you would not think it necessary that that Treasury minute of which you have been speaking should be submitted to the Government of India. If the Government of India is to be the eventual judge of cases in which India has a substantial interest, would it not be desirable that the Government of India themselves should see the terms of that Minute, and acquiesce in it, as well as the Secretary of State?—The noble lord is right; it might be desirable to communicate it to the Government of India and see what they had to say about it; but I would leave the Secretary of State in Council to settle it, being the statutory authority in this matter.

14,225. (*Sir Donald Stewart.*) With reference to the chairman's questions about the powers of the Financial Member of the Governor-General's Council, would it not be impossible for the other members of Council to initiate expenditure of any sort if the Financial Member objected and had the support of the Governor-General?—I do not say it would be impossible, but, as a matter of practice, I do not think it ever would be done. I think it would be possible, but it would be quite futile; I will put it in that way.

14,226. For instance, the other members of Council could not authorise an expedition to take place in defiance of the Governor-General?—Certainly not; that would be a case in which it is clear, under the Statute, the Governor-General has the power of over-ruling the Council.

14,227. There is another question as to the military element in the Council being rather powerful; is it not the case that the Commander-in-Chief is an extraordinary member of Council, that he has no departmental work connected with the Council, and that he is very often absent from the deliberations of the Council?—Certainly. The Commander-in-Chief constantly goes, as he should, on tour in different parts of India, and it is not always that he is present at the Council.

14,228. (*Sir W. Wedderburn.*) I should like to ask one or two questions about these three rules contained in Lord George Hamilton's proposals; I think that you expressed general approval of the principles and spirit of them?—Yes. I think they expressed pretty nearly what I should agree to; I will not say every word of them, but the substance of them.

14,229. A general approval as regards the principles upon which the financial relations between the United Kingdom and India should be regulated?—In respect of the lending of troops.

14,230. Yes. These rules are really for regulating the payments as between the borrower of the troops and the lender of the troops?—Yes.

14,231. I do not see any basis by which it could be decided which country is the borrower. I would ask this question. Under Section 55 of the Government of India Act the revenues of India cannot be, except with the leave of both Houses of Parliament, spent upon operations beyond the frontier. In such operations would the Imperial Government be considered a

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borrower of the Indian troops?—I am not certain that it would in all cases. For example, we will take the Afghan War. There was a movement of troops beyond the Indian frontier. I do not think the Imperial Government could be supposed to be the borrower of troops upon that occasion. I think that would come under the third of Lord George Hamilton's propositions; but still it is a verbal criticism rather than a substantial one, and perhaps the words "assistance which is required" would not apply to a case of that sort. Care must be taken to use words so as to make everything quite clear. Take this case of the Afghan War, it might be said, in fact it was held by Parliament, that the Imperial Government had an interest, and they paid 5,000,000*l.* to the Indian Government on account of the expenses incurred. It was not a case in which the whole payment was made by India, it was divided between the Indian Government and the Home Government. In that case, of course, nobody would contend that there was not a substantial interest to India.

14,232. I can quite see that India had a substantial interest; but was it not primarily an Imperial war for which the Imperial Exchequer should have paid, claiming from the Indian Exchequer a contribution proportioned to its direct and substantial interest?—That would raise a very important political question; I do not know what the Chairman thinks; that is hardly, I should have thought, within the reference, namely, whether the last Afghan War was produced by the action of the Imperial Government or any other causes, and it would be a very big question and I hardly like to give an answer.

(*Chairman.*) I think it lies somewhat outside our strict order of reference, involving as it does an expression of opinion upon the policy of the Government.

14,233. (*Sir William Wedderburn.*) I think his Lordship suggested the case of the Afghan War; I do not specify any particular war, I only wanted to get some practical rule for apportionment of charge which is part of our reference, and it appeared to me that the most reasonable way would be that the Imperial Government, which has an universal interest, should primarily pay for what is beyond the Indian frontier and is recognised as ordinarily outside all India's responsibilities, claiming a contribution in proportion to the direct and substantial interest of India?—I should think that some such arrangement might be made in connexion with what the chairman has suggested, namely, that there should be some limitation of area settled. I should not like to put it down that in any expedition over the Indian frontier, the English Government should pay in the first instance, because there might be many instances in which it was clearly an Indian expedition entirely. I think if the Chairman's suggestion is carried out, namely, that you should take some area on the one side and the other; take very roughly some area, from the Suez Canal round to Singapore, or anything of that kind, and the Mediterranean, some kind of area of that sort which might be worked out, threshed out; I think then the question of the first payment coming from England and the repayment being made afterwards from India might be quite right.

14,234. (*Chairman.*) As a matter of financial convenience I think it is pretty obvious that the Government that undertakes the conduct of the war had better bear the charge in the first instance?—In the first instance, that would be it.

14,235. The Government of India, no doubt, in the case of a war, say, on the Afghan frontier, would draw from its own resources, supplemented by such assistance as it might get from England; and it seems obvious that they should pay the expenses in the first instance. For England to pay the expenses and India to conduct the operations would be objectionable in practical finance, I think?—Yes, I think so; I think what the chairman says is quite right.

14,236. (*Sir William Wedderburn.*) The doctrine of reciprocity is laid down in these three propositions, but would not the doctrine of reciprocity sometimes operate not quite fairly as between the United Kingdom and India?—I should like the honourable member to be kind enough to explain in what way.

14,237. For example, you suggested that the Government of India should have a practical veto as regards the contribution from India and the Imperial Government should have a veto upon the contribution from the United Kingdom; but if the contributions claimed from India are, as you mentioned, somewhat trifling in amount, and as the amounts that might be claimed from the United Kingdom are very large indeed, that reciprocity would not be exactly equity?—If it was likely that very large demands were to be made from India for assistance from England, certainly that argument would be correct; I should admit it, but as a matter of fact looking to what has happened since the Mutiny, India would get the advantage of an arrangement of that kind, because the fact is that we have asked India to help us with troops on a great many occasions, whereas since that time there has been no temporary demand upon England from India for troops, and as the army of India is kept up to the full war strength, I do not see that there is any likelihood of any such demand unless some great trouble should arise. Practically, I am inclined to think that the arrangement would be rather in favour of India.

14,238. I daresay you remember a suggestion that Lord Salisbury shadowed out, of some authority to arbitrate upon these questions. Supposing it were objected that giving the Government of India on the one side and the Imperial Government on the other the decision upon these points would be giving them the decision in their own case, would it not be advantageous to have this impartial authority, supposing one were satisfactorily forthcoming?—Certainly, I should entirely agree in that; the great difficulty is how any such authority can be constituted that would be satisfactory.

14,239. But supposing a Code of Regulations, or a Minute which was to regulate these relations, were framed, there might be a quasi-judicial authority which, without touching any question of policy, would simply interpret these Regulations as regards the particular question put before them; might that not be done?—I think it might be done; but, as I said before, the great difficulty is how is this authority to be constituted? It is exceedingly difficult, and I have not yet found in my own mind any suggestion upon that matter which I could with any confidence put before the Commission.

14,240. The Judicial Committee of the Privy Council has authority under the existing statute, I think, to advise Her Majesty upon any question upon which their advice is asked. That would be a competent authority, would it not?—I have thought of the Judicial Committee of the Privy Council and probably, if any authority of that sort was to be constituted, that would form the basis; but the Judicial Committee of the Privy Council consists of a great many members. The difficulty would be, which members should be taken? You have two or three ex-Indian officials on it—Sir Richard Couch, my friend Lord Hobhouse. There are two, they would be, Lord Hobhouse might be, considered by the Treasury to have opinions in favour of the Indian view. Sir Richard Couch, being a judge, would be free from any objection of that kind, but still there would be great difficulty. And there is the further difficulty whether you could, excepting by statute, make such an arrangement as that. My great desire is to do something which would avoid the necessity of an Act of Parliament. If you were to set up this tribunal you would still have to leave—as you would leave if something like the suggestion which I have thrown out was to be adopted—(as I said before but wish again to impress it upon the Commission) the statutory power of the Secretary of State for India in Council in full possibility of exercise, and you would still leave the power of the Imperial Parliament, which practically means the power of the English Government, in full force. How you could get over that by establishing any tribunal of arbitration is to me a difficulty. I do not say it cannot be got over, but it is a difficulty.

14,241. In one or two cases, for want of the addresses in both Houses of Parliament, you consider, I think, that the charges upon India were actually unconstitutional—illegal or unconstitutional?—I think in the Perak case they were: and I think in the second case, although I am not so clear, because perhaps a contention might be made to the contrary. The first case, I think, was quite clear. In the second case, namely, the employment of Indian troops to garrison Suakin after the expedition to the Soudan was abandoned, my own opinion is that it was contrary to the Act of Parliament.

14,242. Does not a considerable difficulty arise with regard to the question of what military operations are

beyond the Indian frontier, in order to interpret this section 55?—I never had a case of that sort before me. I think there might be considerable difficulty in interpreting the clause. Perak was the only case that I had to deal with, and it was clearly beyond the frontier.

14,243. But do you understand by this section 55 that the frontier refers to the territories under Her Majesty at the time of the Act or at the time when the operations took place?—I should be very sorry to express that opinion. I think it would be held to be the frontier at the time the operations took place. I do not suppose there could be any idea of stereotyping the British frontier at the time the Act was passed.

14,244. But, of course, the additional territory would be legally under and appropriated into Her Majesty's territory?—It would be a question how the words of the statute should be construed. That would be a matter for lawyers to decide. It is very difficult sometimes to interpret some of those statutes.

14,245. With regard to a question in the earlier part of your evidence, you said that there did not occur to your mind cases where expenditure was enforced on the Indian Government with reference to military expeditions, I think?—I think I said I had no experience myself of it, excepting in one small expedition.

14,246. Was not the Afghan War a case of that sort? Did it not proceed from very distinct and direct orders from home?—I should not like to express an opinion upon that. I do not know how the Afghan War originated.

14,247. (*Mr. Naoroji.*) May I just read a sentence with regard to where the war of Afghanistan originated. The Viceroy, Lord Lytton, said, as was expressed in Mr. Fawcett's speech, "I came to India, and just "before leaving England for India I had frequent "interviews with Lord Salisbury, the then Indian "Secretary, and I came out specially instructed to "treat the Indian frontier question as an indivisible "part of a great Imperial question, mainly depending "for its solution upon the general policy of Her "Majesty's Government"?—I do not understand the Honourable Member to put that to me as a question.

14,248. Does it show, then, that the whole question of the frontier war originated from the Government here as an indivisible part of a great Imperial question mainly depending for its solution upon the general policy of Her Majesty's Government, and with which the Government of India has nothing to do?—I should beg to decline to give an answer to that question, unless the Commission think it is desirable I should do so.

14,249. (*Sir Ralph Knox.*) Assuming that India's interests were involved in these expeditions across the seas, and that the ratio of extraordinary to ordinary expenditure is, as your Lordship has said, something like six to one, that is not an unfavourable division of the total expenses in your opinion, is it?—Not at all, and I have said, I think, perhaps more than once, that I do not consider this question of the ordinary expenses to be a matter worth quarrelling about. That is the reason why I want the thing settled in the way which I have suggested.

14,250. But you have suggested that it should be settled by practically making a concession in favour of India, inasmuch as India is objecting to the payment in every one of these cases, and if the views of the Indian Government were accepted in all cases, the full charge of the extraordinary and ordinary would be made against the Home Government?—In the particular cases which I have mentioned that would have been the result, and I am bound to say that I think it would have been only fair and right; but I am not at all prepared to say that in every case the Government of India would decline to pay the ordinary expenses or even more than the ordinary expenses of an expedition outside India. I think that is a question which the Government of India would consider if confidence was put in them, that they would be prepared to deal with it in a proper spirit, and to contribute if necessary. That is the experience I have had of the Government of India.

14,251. But the only instance in which your Lordship thinks that it was fair to make a charge against India was that in which the safety of the Suez Canal was involved. Would you limit the payments of India of these extraordinary expenses to that case only, or can you conceive any transpontine expedition in which India's interests would be so much involved that they should bear the ordinary charge?—It is rather difficult to suggest a case, but I can conceive such a case. I can conceive a case in which Indian interests might be involved.

14,252. Do you think in those cases that the distribution of the charge should be in this proportion of six to one?—No. I think cases might arise in which it would be fair enough that India should pay half the whole charge. I will not say there might not be cases in which they should pay the whole.

14,253. (*Chairman.*) I think in one case you have mentioned you think they ought to have paid half?—Yes; the expedition to the Suez Canal. I am bound to say the Government to which I belonged took more from India than half; but, at any rate, I think half could fairly have been charged against India in that case; and I can conceive a case where troops might be sent from India to the Cape, which would involve Indian interests very strongly in time of war.

14,254. (*Mr. Naoroji.*) Then, is the capacity of India as compared with England at all to be taken into consideration—that is to say, its poverty as compared with the wealth of England—I would ask whether that capacity is to be taken into consideration or not in the arrangement of any apportionment of charge?—No. I think it is right to deal with these questions simply as matters of equity between the two governments. I should be very sorry to put forward a claim for India for one shilling more than could fairly be given to her. That is my view, and that I think would be the view of Governments of India with which I have had anything to do.

14,255. (*Chairman.*) Was any objection made by India to a contribution in the case of the Egyptian expedition?—There was a long correspondence, and I am prepared to say this much, that the Government of India accepted what we offered, but whether they accepted it willingly or not I should not like to say.

14,256. Did not the dispute turn rather upon this, that we asked a large contribution from them, and they remonstrated against its amount? Do you remember whether they remonstrated against any contribution at all?—I think I have mentioned the circumstances before. When at first the expedition to Egypt, in 1882, was decided upon, it was mainly to destroy the power of Arabi, as the members of the Commission may recollect. It was not supposed that the force to be sent from India would be at all a large force. We proposed to have a small force from India, and as we were going to a very considerable expense we thought it fair that India should pay for this small force. The circumstances altered after that; instead of a small force, numbers of troops were sent. The Indian forces were of great value in the campaign; they behaved exceedingly well, they helped very much in the whole campaign. The increase of the force from India very greatly increased the expense, so there was no particular moment at which the whole expense could have been put before the Government of India, and they could have given an answer aye or no in regard to the apportionment of costs, at least that is my recollection; it was the increase of expense which created the difficulty. But I am speaking without notes of this matter and therefore I may not be altogether accurate.

14,257. We will now pass on to the question of those differences of opinion between the Imperial Government and the Indian Government which have lasted over so long a period and in the adjustment of which your Lordship has taken a considerable part; and in the first place I should like to ask you whether you consider that it is of political importance that the frequent controversies between England and India on such financial questions, whether of policy or of administration, should be avoided as much as possible?—Upon this matter I entertain the very strongest opinion, and the same opinion has been expressed by the Government of India in Lord Lansdowne's time, and I think it has been expressed by Lord Lansdowne himself in Parliament. It was expressed, quite recently, very strongly by Lord Elgin's Government. I think that these controversial questions between the two Governments—I was going to use a strong word, but I do not think it is too strong—are almost a scandal. The matters concerned are very often very small, and, as is natural, there are very elaborate arguments used

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on both sides, and every now and then rather strong language used by those who advocate the one side or the other, and it gives an impression that there is some intention on the part of the English Government to be unjust to India, and that when it is published in India, with the great extension of the education of the natives of India, and the way in which they now watch political affairs, the Indian press writing articles on the subject, it gives cause to very many attacks upon the conduct of this country, and the quotations of language used by the Secretary of State, and so on, about charges being put upon India which ought not to be put—all which is most undesirable. Moreover, a few years ago there was an alteration made in the legislation respecting the Legislative Council of the Governor-General, and at the present time the budget may be discussed in the Legislative Council. When the budget is discussed there is no reason why any member of the Legislative Council (and as the Commission know, there are a great many members of the Legislative Council who do not belong to the Government) may not take up the question of these charges. It is a very popular question, because the matter is one of which the Government of India have constantly complained. It is very difficult for the Governor-General of India or the Military Member of Council, whoever he may be, in the Legislative Council, to argue against criticisms which would mainly be supported by quotations from minutes, despatches, and speeches of Viceroys and Secretaries of State for India. I think that is a very great evil. As I have said before, I do not believe for a moment there has been any deliberate intention to be unfair to India in any of these matters, I only think that from the greater strength of the Treasury and the War Office in the English Government the result has been that India has not been always equitably treated, that for the future these small, almost miserable, matters of contention should, as far as possible, be avoided. As I said before, I cannot express my opinion too strongly upon that and upon the political importance, I should almost say necessity, of some arrangement being made which will put an end to these controversies.

14,258–9. Now we will take the leading question that has been so long at issue between the two Governments, namely, the capitation rate which India should pay on the effective strength of the Queen's regiments serving in India. First of all, I would call your attention to the Committee of the House of Commons on the East India Finance, which reported in 1874, and which expressed a general opinion upon the subject. It is quoted in Sir Henry Waterfield's paper, page 362 in the Appendix. There is a long extract from the Report, but there is one passage in which they express their general view: "Your "Committee cannot lay down too strongly the posi- "tion that the English estimates ought not to be "relieved at the expense of the Indian Revenue, but "that the Secretary of State for India in Council has "the constitutional right of refusing to pay for objects "in which he considers that India has no interest. At "the same time, India, as a component part of the "Empire, must be prepared to share in the cost of a "system the expense of which may be enhanced for "Imperial purposes." May I ask whether you agree in the opinion so expressed by that Committee?—I cannot do better in the way of expressing my opinion upon this, than to read to the Commission two paragraphs of a despatch which was addressed by the Government of India when I was Governor-General to the Secretary of State, commenting upon that report. The despatch is No. 406 of 1874. It was laid before Parliament in 1893. This is what we said: "We observe that the Select Committee report "their opinion that India, as a component part of "the Empire, must be prepared to share in the cost "of a system, the expense of which may be enhanced "for Imperial purposes. The particular class of "expense to which this observation is intended to refer "is not specified, nor is it stated in what form any "payment on this account should be made by India, "The opinion of the Committee may probably, however, "have reference to some evidence in which it is argued "that India might equitably be called upon to pay a "part of the general staff charges of the army at "home, and of the system of army organisation and "reserves which has been recently introduced. We "have the honour to enclose a copy of a minute, with "which we entirely concur, which has been recorded "by the Viceroy upon that question." So that you will see that when I was Governor-General of India this paragraph was considered by the Government of India, and we could only express our concurrence with considerable modifications as explained in the Minute, written by myself, to which probably I shall have to call attention further on.

14,260. Not to enter into too great detail into the inquiries into the subject of the capitation rate, I would remind your Lordship that both before and after that time various committees have inquired into the subject; and perhaps I might come down, unless you wish to call attention to anything in previous reports, to that important Committee of which you took charge, and which year by year made inquiry, and finally recommended a capitation rate to the Government. You took charge of that Committee, I think, about 1879 or 1880, did you not?—It was in 1879 that I became chairman of the Commission, but I should like before going into that first to allude very shortly to what took place before. In the first place there was at one time a very extravagant and inefficient depôt system in this country for sending drafts to India. I think at one time there were as many as 19,000 men charged to India who were attached to the depôts of the Indian regiments. When I say extravagant, I do not mean to attach any blame to the War Office. It was a very difficult thing to manage, owing to the increase of the British Army in India after the Mutiny, but, however, these were the facts of the case.

14,261. About what time was that?—That was before Major-General Tulloch's Committee.

14,262. That would be about 1860?—It was in 1860. In 1861 Major-General Tulloch's Committee recommended a capitation rate of 10*l*. I do not want to refer to that. But in 1869 this arrangement was altered, and the actual charges were paid, and then there were all sorts of committees.

14,263. A bill was sent in each year in which the War Office stated the actual charges; and the India Office discussed and paid it?—And there were all sorts of committees, as the Chairman has told you. Then, in 1878 the Cabinet took up the question, and there were Treasury Minutes, and it was very nearly being settled then on some basis to which I need not allude. At that time the claims made by the War Office against India had not been settled, the India Office having objected to the charges. The Audit Office complained that these accounts were not settled, and, in the end, the Treasury agreed to admit the India Office objections to the outstanding claims of the War Office, and to refer the question to a Commission, of which I was the Chairman. I would only wish to make one remark upon that. I notice in the evidence that it has been suggested that the acceptance of the objections made by the India Office to the War Office claims was a liberal concession to India. I have no doubt whatever that the noble lord in the chair, who was Secretary to the Treasury at the time, and others thought that they were making a very liberal concession to India at that time, but, as a matter of fact, I believe there was really no concession made at all, because when the claims of the War Office were examined by my Commission, we reduced the claims by so large an amount that I believe if the claims of former years had been referred to any Commission to examine they would have allowed almost all the objections raised by India. I do not think, therefore, as a matter of fact, there was any concession made to India. That is all I have to say upon that.

14,264. Then your Committee sat for many years, did it not, and made a final report in 1892?—Yes: our Commission sat till 1892. We could not deal with the matter at first, because there was a Commission sitting, which is constantly happening, about the army in England, and another Commission sitting in India which might have changed the organisation of the army and interfered with our calculations. Then there was the great increase of the British army in India in 1885–86. Besides, there was a great quantity of details to be got from the War Office. It was not till we got the claims of 1886–87 that we could really deal with the matter so as to work out an average.

14,265. Could you tell us generally what the result of your inquiries came to?—It is all contained in a letter which was laid before Parliament addressed by Sir Thomas Seccombe to the Secretary of State. He stated that by our examination of these claims we on the whole reduced the claims upon India by 1,000,000*l*. sterling.

14,266. But you came at last to the conclusion to recommend a rate per effective man, which has been in

force ever since, has it not?—Yes, we then, having got all the returns we wanted and having got the claims for 1886–87 and 1887–88, arrived at a rate of 7*l.* 10*s.* upon the establishment of the British troops in India, which we recommended as being what we considered a fair charge. That was the result of the Commission.

14,267. And did you intend, at that time, that that should be a permanent rate, or did you intend it only to apply to those years to which your inquiries extended?—I cannot say that we as a Commission came to any conclusion about it being a permanent rate, but if you ask me my own opinion, and speaking only for myself, I think that that rate—so far as what I call the arithmetical calculation goes, namely, what was the real cost which India ought to pay for the effective charges at home—was a very fair rate and might have been accepted for a considerable time.

14,268. Towards the close of your Commission did not a question arise as to whether the final settlement of the question ought not to be entrusted to a commission of rather larger scope than the Departmental Commission of which you had kindly taken the chair?—The circumstances were these. I fully believe, at the time the Commission was appointed, that the Government intended us to settle this question, from what Mr. Stanhope said in the House of Commons, but as years went on the opinion of the Government of India upon the matter came home. We asked for the opinion, or rather the India Office did, and that opinion came in a despatch which is before the Commission. It was written when Lord Lansdowne was Viceroy—the 25th March, 1890. When that despatch came home it was considered by the Treasury, and also by the Secretary of State for War that we could not very well deal with the questions which the Government of India raised. When the despatch was sent to me as Chairman of the Commission, it was coupled with an intimation that the Secretary of State for War was not prepared to agree with the conclusions that we should come to even if we did consider it, and the Treasury expressed very much the same opinion; so of course I could not think of entering into a question when the conclusions at which we should arrive were not likely to be accepted. That was the reason why we did not go into it. I do not know that I even consulted the members of the Commission upon it. I said "No, I "cannot undertake a task, when I see that two out of "the three Departments concerned will not agree." That was the real reason why we did not go further.

14,269. But might I ask you whether it had not then occurred to you that a Commission with rather larger powers, and perhaps I might say a more representative Commission might be asked to take up the question?—Yes; if you ask for my opinion as to whether the Commission over which I presided would have been a proper Commission to decide upon the larger questions of policy involved in the letter of the Government of India, I am bound to say I very much doubt it, and I wrote to that effect to the Treasury. Here is the letter which I wrote to your Lordship on September the 10th, 1891. I said, in the first place, this, "with these papers" (it was at the time when the letter of the Government of India was communicated to us), and I said to your Lordship: "With these papers you "enclosed, for my information, a letter from the War "Office to the Treasury, in which the Secretary of "State for War expresses his opinion that the questions "raised by the Government of India cannot be held to "fall within the legitimate scope of the inquiry of the "Commission, an opinion with which it appears from "your letter that the Lords Commissioners of the "Treasury concur. In these circumstances, as two of "the three Departments of Her Majesty's Government "concerned in the settlement do not consider the "Commission to be able, with advantage, to consider "and report upon the large questions of policy now "raised, an opinion which I myself share, I trust "that the Lords Commissioners of the Treasury "will excuse me for respectfully declining to under-"take the consideration of these documents in con-"nection with the claims of the three years, which "have been referred to the Commission." I gave that opinion because although my two colleagues on the Commission could not have been more able men, Sir Ralph Knox and Sir Thomas Seccombe, and no two men could have been more thoroughly acquainted with the subject they had to discuss and no two men could be fairer in coming to a conclusion, yet I did not think that a Commission consisting of one man at the head of it who was connected with India, and the other two the representatives of the two Departments, the War Office and the India Office, would have had sufficient weight to deal with the bigger questions put forward for the Government of India.

14,270. But did you at that time ever think of the kind of Commission to which such a communication might be referred?—I had some communication with the Chancellor of the Exchequer, Mr. Goschen, about it, and there was some idea of having a fresh Commission differently constituted, but nothing officially passed.

14,271. Was it proposed that there should be a judge at the head of it?—I think something was said about some judicial element in the Commission, but there was nothing official.

14,272. We understand from Sir Henry Waterfield's memorandum that the India Office do not desire a re-opening of the calculations upon which the present capitation rate was arrived at by your Commission; but a memorandum has been laid before us inviting our attention to general considerations which, the India Office think, militate against the equity of a merely arithmetical division of the charges. We shall be glad to learn your opinion on these points, which perhaps I may briefly run through to you. Your Lordship will note that I am about to quote from Sir Henry Waterfield's paper, which appears at page 362 of the Appendix. On page 364 these considerations are laid down. First, "In a letter to the War Office "of the 8th September 1871, the Duke of Argyll said "that he could not 'consider it either politic or just to "'lay upon the revenues of India the entire cost of an "'organisation for furnishing recruits to that country, "'which experience has shown to be far beyond what "'is needed for that particular purpose'"?—As regards that letter I would observe that it was written before the full organisation of the amended system of recruiting was carried out by the War Office. I would not lay any stress upon what was written in 1871; the new present depôt systems, if they were in existence, had only just started, and a great deal of change has taken place since that time. The rest of the paragraph refers to a totally different thing, namely, the abolition of the local European army—a very big question, that is.

14,273. That is what I was coming to. "He added:—"'The abolition of a local European army in India was "'a measure dictated by considerations of Imperial "'policy; but it is questionable whether that measure "'could have been so easily carried if it had been fully "'known how great would be the additional burden "'thrown upon the Government of India.'" Well, we have had evidence to a certain extent traversing the opinion that it has thrown such a great charge upon India apart from the fact that a very much larger army in India is kept there. Has your Lordship any views on that point?—The Duke of Argyll was perfectly right in saying—"The abolition of a local European "army in India was a measure dictated by considera-"tions of Imperial policy." I do not think anybody can dispute that. If I was to go into that question at all I should say that the reason for the abolition of the old local Europeans was mainly mismanagement at home, but probably it is not necessary to go into that. My own impression is that, unless the affair had been mismanaged a certain amount of local European troops would have been maintained in India. I was perfectly conversant with what took place at the time, so that, as far as the despatch goes, I think the Duke of Argyll was perfectly justified in what he wrote, but whether the arrangements that have since been made, have so far increased the charge upon India as to occasion an equitable ground for any diminution of the 7*l.* 10*s.* charge, I think is a very arguable question. My own opinion is that as regards the charge for effectives there is no very strong ground to be put forward now upon this particular plea. As regards the non-effective vote, I think there is cause. I think that the increased charge for pensions occasioned by the abolition of purchase is a charge that ought not to be put upon India. I do not refer to small questions. I am looking at the big questions.

14,274. Perhaps we shall come rather later to the question of the pensions consequent upon the abolition of purchase. The next point, with which Sir Henry Waterfield deals, is that, "although, when the system "of short service was introduced by Lord Cardwell, "he expressed his conviction that it would not entail "any additional charge upon India, it has in fact "imposed a heavy additional charge for transport, as

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"the reliefs have to be effected at much shorter "intervals"?—I should like to say a few words about the short service system. I was at the War Office at the time when this system was introduced. I was Under Secretary, and I was in full communication with Lord Cardwell about the whole of these matters, and I believe that the introduction of the short service system would have been a great improvement upon the old system in England, if it had been carried out as originally intended. I put in that reservation, because I do not desire to be supposed to approve of certain things which have been done since that time. That being so, I am bound to say that if any reasonable additional cost was thrown upon India by that system, I think that is a charge which would very fairly come under the words to which the chairman referred a short time back, namely, that it was part of the organisation of the Imperial army of which India ought to pay a share. As regards the question whether there has or has not been any additional cost, I think that is a very arguable question. I have seen some very able papers, written by Sir Ralph Knox, showing that he thinks on the whole it will produce a saving to India; I only hope it may be so. These calculations, unless you can show that the saving has actually accrued, are always somewhat doubtful. At any rate there can be no question that there must be in the end a diminution of the charge for pensions for soldiers in consequence of the short service system. On the other hand there can be no question, I think, with great deference to Sir Ralph Knox's memorandum, that there must be a larger charge in respect of the recruits sent out year by year. Whatever figures may be put before us, it is pretty clear, I think, that whereas in some years before the short service was introduced there were about 2,000 recruits a year sent out, and now there are 10,000 or 11,000, there must be a very considerable additional charge, because India pays the cost of training every one of the men that go out. As regards transport there is a memorandum showing, or purporting to show, that sending 11,000 men now costs less than sending 9,000 men some years ago. Of course the reason of this is, that the cost of steamboats is much less than it used to be, and the cost of provisions probably has fallen. It would be impossible really to contend that the charge would not be less if fewer recruits had been sent out. That is all I have to say about that.

14,275. I understand your argument to be this: more men being sent out, there must be a larger charge for transport than if the same number had been sent out as formerly?—Yes. I do not know where the calculation is; it is somewhere in the Appendix.

14,276. On the other hand, you do not think it fair to set against that the economies which have been made in freight and transfer generally?—I do not think that it would be right to raise an equitable claim upon the Imperial Government in respect to the additional number of recruits sent out in consequence of the short service system. I should not like to press that myself as a claim I could defend, although I do not agree with a great many of these figures. I have found the calculations as to the passage of troops, the statement shows that the cost per adult in 1870–71 was 16*l.* 16*s.* 7*d.* for transport and the cost per adult in 1880–81 was 8*l.* 0*s.* 4*d.* Well, suppose at the rate of 8*l.* 0*s.* 4*d.* there were 11,000 recruits sent out, and if the short service system had not existed there would not have been half that number, of course India would have saved half of this cost. The comparison does not show that there is no increased charge upon India in consequence of the change of system, but I do not press that point. I should like to add one thing. I guard myself to this extent, namely, that I do not think India has any equitable claim, provided that a reasonably economical system of training recruits is carried out by the War Office. I think that is a very important reservation that I make.

14,277. You must be satisfied that the recruiting system is a good one?—That it is fairly economical, yes.

14,278. Then Sir Henry next says that India is much more utilised as a reserve for England than England for India?—I think that is quite true.

14,279. That really alludes to those questions which we have been discussing lately?—Yes, I think that is quite true, and I think some fair allowance might be made on that account equitably.

14,280. Further that India not only pays the whole cost of the maintenance of this large force in India, but also the ordinary pay of any troops required for service out of India. That also comes under the head of what we have been discussing?—We have discussed that matter.

14,281. And that apart from the assistance rendered by India in time of war it affords the best training ground for the British army?—I should not like to express an opinion upon that. The opinion would be far better got from Lord Roberts, who has been Commander-in-Chief in India. • •

14,282. (*Mr. Naoroji.*) And that at India's cost, is it not?—I cannot tell you.

14,283. (*Sir Donald Stewart.*) Lord Wolseley gave evidence, I think, as to the value of India as a training ground for the British Army?—Not being a military man, I should prefer not to give an opinion upon that.

14,284. (*Mr. Naoroji.*) My question was this: when it is said that India is used as a good training ground for an European Army I ask whether that should be done at our cost, at India's cost, for training an European army which is useful to England?—I have said that I prefer, not being a military man, to express no opinion upon the military question.

14,285–8. (*Chairman.*) I understand that the India Office think that, in fixing the rate at which India should pay for the home charge of Queen's regiments on the Indian establishment, these considerations should not be lost sight of. Do you consider there is force in that claim generally with regard to these seven points?—Yes. I think that some of these considerations might be equitably considered and constitute a claim upon India for some reduction of the 7*l.* 10*s.* charge; but I think the strongest of the whole of them is contained in the 21st paragraph of Lord Lansdowne's Despatch of the 25th March 1890, page 365 of the Appendix: "Millions of money have been spent on increasing "the army in India, on armaments and on fortifica- "tions to provide for the security of India, not against "domestic enemies or to prevent the incursions "of warlike people of adjoining countries, but to "maintain the supremacy of British power in the "East. The scope of all these great and costly "measures reaches far beyond Indian limits, and the "policy which dictates them is an Imperial policy." I think that is the most important consideration of all. As Lord Lansdowne was Governor-General when that despatch was written, I think he is the best person to explain to the Commission the extent and meaning of the Imperial considerations which are brought forward in that despatch. It clearly, more or less, depends upon those considerations to which I have alluded in one or two answers, namely, the changes of policy in the year 1885 and the question is how far all the expenses since that time have been incurred from an Imperial policy or on purely Indian grounds. On that matter I should prefer Lord Lansdowne to speak; in fact, I could not speak with authority.

14,289. (*Mr. Naoroji.*) Under these conditions that were read by our chairman as to millions being spent in this manner would it not be more fair that for the addition of the British army the British Exchequer should pay a portion of this cost?—That is the main question involved. I have said that I think that some equitable consideration should be given to India on one or two of these heads, especially upon this last one.

14,290. (*Chairman.*) Then, on the non-effective side the India Office consider that the abolition of purchase imposed a charge upon India which she *ought* not to bear?—I should like to say upon the non-effective charge that I think there is a very strong equitable claim on behalf of the Government of India. In the first place, I think there is a claim which has been ignored in reference to the arrangement made in the time of George IV. In the time of George IV. the East India Company paid 60,000*l.* a year under an Act of Parliament. That Act of Parliament said that this arrangement was made for ever, as a permanent arrangement, and Sir George Balfour in one of the many reports of Committees, which are before this Commission, explained that it was at that time a bargain with the East India Company. The East India Company gave up some charges against the Imperial Government, and in return they made this bargain of 60,000*l.* a year, which was at the rate, I think, of about 3*l.* a man, and is a great deal less

than is now paid. After the abolition of the old local European army and the increase of the Queen's troops in India, of course, it was quite equitable that there should be an increased payment on account of the non-effective charges; nobody could dispute that, but I think that what was lost sight of was that there was at the time of this Act of George IV. a bargain at a particular rate, and that some consideration should have been made in the new arrangement not to charge the whole cost in consequence of that original bargain. That, I think, was omitted and ought to have been considered, and it is an instance of the opinion I just gave that the old East India Company could fight their battles better than the Secretary of State for India in Council can at the present time. As regards purchase, I think that the increase of pensions, in consequence of the abolition of purchase, is a very hard charge to put upon India. I see that Sir Ralph Knox, in one of his answers to one of the questions about purchase, question 12,971, said that the abolition of purchase was not the act of the Government at home. I think he must have been somewhat oblivious to what took place in giving that answer, because, if ever there was an act that was the act of the Government, that was; because it was not done by an Act of Parliament, but by the exercise of the prerogative of the Crown on the responsibility of the Government, which occasioned at the time very severe attacks upon the Government. I was then Under Secretary for War in the House of Lords and therefore I have a full recollection of what took place upon that matter.

14,291. (*Sir Ralph Knox.*) My question rather pointed to the fact that the Government had no other course to adopt?—I should say that there was a majority of the House of Lords who thought that there was another course to adopt and that there were a great many people at the time who thought there was another course to adopt. It was by no means a question upon which so strong an opinion could be expressed as that there was no other course to adopt. However, I agree with Lord Cromer, that these pensions have been given in consequence of a very bad system, and I do not think that it was fair to the Government of India to charge them with the whole of these pensions.

14,292. (*Chairman.*) That leads me on to the question whether you think that India is sufficiently consulted? I will divide the question into two points: do you think India has been sufficiently consulted on charges in the past? and, as far as you know, do you think she is consulted sufficiently at present?—Consultation with the Government of India is a very difficult thing. I have not a doubt that the Secretary of State for War and the War Office officials are always most desirous to consult the India Office upon all these charges; at the same time I am bound to say that, in some cases, their intentions have hardly been carried out. Lord Cardwell I remember giving evidence to the effect that he had done everything he could to consult the Government of India about short service, and I believe that was true. He was constantly in communication with Sir Thomas Pears, who was then the Military Secretary at the India Office, on the subject.

14,293. But would you not hold a consultation of the India Office to be equivalent to consultation of the Government of India?—I do not think it would be possible to contend on the part of the Government of India that if the whole thing has been considered by the Secretary of State in council at home, it does not commit the Government of India. Of course there may be cases in which it would be very desirable that the Government of India should be able to express their opinion, but I do not think they have any right to express their opinion in the matter.

14,294. (*Mr. Naoroji.*) Consulting the Government of India is not consulting the Indian people. As Mr. Gladstone says here:—"It appears to me that to make "such a statement as that the judgment of the Viceroy "is a sufficient expression of that of the people of "India is an expression of paradox really surprising, "and such as is rarely heard among us;" is it not so?—I think the honourable member mistook my answer. I was saying that I thought, in respect to questions of army organization between the War Office and the India Office, that the opinion of the Secretary of State for India in Council would be sufficient between the two offices; I was not alluding to the Viceroy.

14,295. (*Chairman.*) Now those are the considerations put forward by the Government of India in mitigation, I may say, of the capitation rate. On the other hand, Sir Ralph Knox and Mr. Ryder, in memoranda laid before the Commission, give the reasons of the War Office and the Treasury for holding that these considerations would not justify a reduction of the capitation rate. Without asking your Lordship to go into the details of the discussion between Sir Henry Waterfield and Sir Ralph Knox and Mr. Ryder, perhaps, I might ask you if you have seen those memoranda; and as between the considerations put forward by the India Office and the defence put forward by the Imperial Offices, on which side you think the case is made out?—It is a difficult question to put to me. I should begin by saying that I have looked through a good deal of this evidence, and that the evidence divides itself into two parts. One part of it is a discussion of the arithmetical calculations upon which the 7*l.* 10*s.* rate is based, and the other the general equitable claims which India puts forward for consideration apart from the 7*l.* 10*s.* arrangement. The Government of India in their despatch of the 25th March 1890 raised a great many questions of detail touching the 7*l.* 10*s.* rate. Upon these questions I see Sir Edwin Collen has been examined before this Commission, and I see also that Sir Ralph Knox has been examined on the other side. I venture to think that it is hardly worth while going into those details. It seems to me that if there was any use in the Commission of which I was chairman for so many years, upon which we had the two very best men we could have had, Sir Thomas Seccombe and Sir Ralph Knox, that this Commission may assume that on the whole our conclusions upon the arithmetical question are fair to both sides. I see that in these Minutes of Evidence on the one hand a question was put to Sir Edwin Collen—it is 6030, page 401—in respect to a certain detail which was brought before my Commission, and Sir Ralph Knox, in answer to question 6029, said that Sir Thomas Seccombe, his colleague on the Commission, did not object to the charge which Sir Edwin Collen was contesting. Your Lordship, then, as chairman, said, "If "you, Sir Edwin, were assured on that point, should "you be content to accept the fact that Sir Thomas "Seccombe did not object as sufficient evidence that "the arithmetical data were right?" I think that was a very fair way of putting it. Then, of course, the same argument must be applied on the other side. I see that Sir Ralph Knox at questions 12,666 to 12,668 has given evidence to the effect that the conclusion of the Commission of which I was chairman upon the subject of rebate was too favourable to India. I think, if the argument as addressed by the Chairman to Sir Edwin Collen is a good one, the same should be applied to Sir Ralph Knox's evidence. Sir Ralph Knox was a member of that Commission. Sir Thomas Seccombe was also a member of that Commission. If it is brought forward that, as Sir Thomas Seccombe agreed to a charge, therefore it is right as against India, I think the Commission may very fairly assume that as Sir Ralph Knox was a member of the Commission and agreed to the conclusion we came to about the rebate, it was a right conclusion; and that it would be hardly worth while for you to reopen the question on either side. Sir Thomas Seccombe is a very able man and Sir Ralph Knox is a very able man, and I have no doubt if Sir Thomas Seccombe were here he would say there were a great many things that we allowed against India that he himself thought India had a very good case for. Sir Ralph Knox thinks, I daresay, that some of the things that we allowed as against the War Office were very hard upon the War Office. That is generally the result of every arbitration; on both sides there must be a give-and-take. All I can say is, upon that Commission, no two persons could have stated their cases with greater ability or dealt with the business with greater fairness; and I am bound to add that there was no protest made from beginning to end by either one or the other with respect to the conclusions at which we arrived. I endeavoured to do my best to carry out the arbitration impartially, and, if the question is reopened now, I really see no end to the discussion of the arithmetical data. I should therefore like to throw aside the whole of this evidence as respects details included in the arithmetical calculation.

14,296. I think Sir Ralph Knox is prepared to answer for himself: but this question comes before us in this way: first of all we have the statement of Sir Henry Waterfield that he does not desire to reopen the calculations of your Lordship's Commission; but, on the other hand, he went on to bring before the Commission

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a number of points to which, he thought, on general principles consideration ought to be given. Sir Ralph Knox, without disturbing the decision on the 7*l.* 10*s.* rate, thought it necessary, as against those seven points, to bring before the Commission the main reasons that made him think that, if those seven points were to be taken into consideration by the Commission, there was a counter-argument against them?—I know that Sir Ralph Knox has given a most able argument upon the question as to what answer ought to be put in by the War Office to the equitable claims of India, but in the particular answer to which I have alluded he touches the 7*l.* 10*s.* question; he distinctly, in Answer 12,663, just exactly in the same way as Sir Edwin Collen did on the question upon which I quoted your Lordship's opinion, touches the rebate question, which was one of the questions settled by the Commission, whereas Sir Edwin Collen objected to another matter, I forget what it was, which was also settled by the Commission. I say let us get rid of these old questions and admit that they have been settled by the decision of the Commission. That is my view at least. Having said that I come to the main argument of Sir Ralph Knox. No one is more capable of stating that argument powerfully on behalf of the War Office. I hope I am not misrepresenting him when I state his argument in this way. His argument is that there may be some of these claims for a reduction of the 7*l.* 10*s.* rate on equitable grounds, about which the arguments presented by India may at any rate be worth considering. He would not altogether deny that some arguments have been put forward worthy of consideration; but he says, on the other hand, if we look to the whole additional charge placed upon England by the existence of the British Army in India—that charge amounts to more than a million of money; therefore the payment made by India under the 7*l.* 10*s.* rate is so much below the real charge—say half a million or 400,000*l.*—that this statement of itself is quite sufficient to get rid of any claim put forward by India for a reduction of the 7*l.* 10*s.* rate upon equitable grounds.

14,297. (*Sir Ralph Knox.*) For further reduction?—Yes; for this reduction. I think I have put that argument properly.

14,298. Yes?—Then I will continue. I believe that to be his argument and it is mainly supported by a statistical paper at page 380 of the Appendix. These are the words which I would like to quote from Sir Ralph Knox's paper: "I submit that the result "which surrenders nearly 500,000*l.* to the Indian "Exchequer is so favourable to the Indian Govern-"ment that no force can be allowed to criticisms upon "minute details, and that the Home Government "cannot consent to any further diminution of the "claim." That being the argument, I have to make some observations upon this estimate, which gives 1,081,172*l.* as the real cost to the British Exchequer of the maintenance of British troops in India.

14,299. Of the depôts maintained in this country for maintaining the forces in India?—I am reading the heading of your paper: "Estimated cost to British "Exchequer of Maintenance of British Troops in "India (Effective Charges)." Appendix I., page 380.

14,300. Yes, it is the estimated cost to the British Exchequer of the maintenance of those troops?—Of course. I observe, as regards this estimate, that Sir Ralph Knox calculates the cost of the depôts at a sum which I consider to be excessive all through. I consider it to be excessive because he calculates that it is necessary to keep 16,000 men permanently at the depôts in order to send, I think, 1,100 recruits to India in the year. That is his calculation. I say that that shows that the system under which those men are trained and sent to India is very much more expensive than it need be, and that it should not be accepted as a ground for calculating what the real cost to this country of these depôts should be. If it is worked out, members of the Commission will see that in this estimate Sir Ralph Knox puts down a very much heavier charge for the depôts than is now charged to India for each recruit sent out. I will take one instance. The figures upon which my Commission arrived at the 7*l.* 10*s.* rate are given in Mr. Ryder's paper, which is put forward by the Treasury at page 376 of the Appendix. Mr. Ryder's paper shows that our calculation was from a rate for the cavalry of 37*l.* 14*s.* 6*d.* a man. If you will be kind enough to look to Sir Ralph Knox's estimate at page 380 it will be seen that the whole cost of the cavalry depôt, which is considered to be necessary, is 89,377*l.* for 840 recruits sent out for the cavalry in the year, which works out to 100*l.* a man. Now is it reasonable to suppose that this system is an economical one? Is it necessary to keep 23 officers at this cavalry depôt to train 840 men? I take this as an instance of the materials out of which this calculation is made. In reality the whole of the first part of this estimate, namely, the cost of the depôts, the staff of the depôts, the pay of young officers, the staff at Netley and Woolwich, the pay of men for discharge, and so on, making a total of 888,172*l.*—every one of those items is an item which the Commission of which I was the President had to go through and consider in estimating our 7*l.* 10*s.* rate. I do not know that there is one which is omitted, and then I say that if that 7*l.* 10*s.* rate is accepted as a fair arrangement, the whole of that part of Sir Ralph Knox's estimate ought to be dismissed from the consideration of the Commission altogether. Then I come to the remainder of the estimate—namely, "Add for Staff and Departmental "Charges, 193,000*l.*"—and that certainly has given me some surprise. I do not know whether this calculation is put forward on behalf of the War Office, as coming from the Secretary of State for War or whether it is the opinion of Sir Ralph Knox as an expert upon army matters; but it appears to me to raise a charge which I hardly know how to criticise, because it is a charge of one-twelfth part of "the total effective cost of the "staff and departments" of the British Army at home—that is to say, India is to pay a portion of the charge of the staff at Aldershot, Portsmouth, of the Commander-in-Chief, and all the rest of the general staff of the Army, and of the Army Pay Department: I do not believe there is a single man belonging to the Indian Army paid at the War Office. Of the Veterinary Department: I do not know about that. Commissariat staff and subordinates: I cannot conceive what reasonable charge can be made upon India for any of the commissariat staff and subordinates. And so on, and actually 264,000*l.* is put down for the War Office, and India is to pay a part of the charge of the establishment of the War Office. I cannot conceive how such a claim could reasonably be put forward on the part of the War Office. I do not know what the War Office can have to do with the Army of India, unless it is that some of the clerks in the Accountant-General's Department are employed checking the accounts and making out the claims which are sent to the India Office from the War Office. I do not think anyone would contend that India ought to pay the charge of the Office establishment for making out the bill which is sent to the India Office. Miscellaneous charges: India is actually to pay something for stationery, for postal and telegraph expenses of the whole of the establishment in England, simply because so much of the English army is employed in India. These charges come to 193,000*l.*, and so the 1,000,000*l.* is made up. If the Commission think that the whole of the details about raising the recruits are disposed of, and accept the 7*l.* 10*s.* arrangement the first part of Sir Ralph Knox's estimate is disposed of, and I am sure that they are not likely to agree to the claim that the staff and departmental charges of the army at home should be paid for in any part by India. The question arose, curiously enough, in 1874. It was raised by a very able man, Lord Cardwell, when he was giving evidence before a Committee of the House of Commons. And when the report of that Committee was sent out to India I felt compelled to make some observations upon what he said on that occasion. He said, that he thought that some charge might be made upon India for the staff charges. I do not think he ever went to the extent of the claim as stated in Sir Ralph Knox's estimate. I may be allowed to read what I said then to the Commission, because it expressed my opinion at the time, and they will see that the opinion that I express now is not formed in consequence of my having to observe upon this particular statement. I said this: "I should contend that India pays substantially "for the whole management of that part of the Army "which is employed by her, and could not fairly be "charged with any part of the general cost of adminis-"tering and commanding the army at home. We "have a large military department at the India Office. "We also pay for an officer attached to the staff of the "Field Marshal Commanding-in-Chief to assist his "Royal Highness in disposing of any business relating "to the army in India. We pay a percentage upon all "stores we obtain from the War Office, which seems to "me to represent more than the full amount of any "expense to which the Imperial Government is put in "providing those stores. In saying this I do not mean "to dispute that some particular (as distinguished from

" general) staff charges may fairly be brought against " India; for instance, in respect to recruiting, and " possibly to the invaliding establishment at Netley. " But I have not sufficient information to enable me to " give any opinion upon those particulars. I do not " wish to raise any fresh questions; but if an indirect " claim is pressed against India for the payment of " part of the cost of the administration and command of " the Army at home, I think that consideration should " be given to the advantage which England derives from " being able to employ the native army of India for " such service as the wars in China and Abyssinia." The Commission will find a most elaborate despatch addressed by the Duke of Argyll to the Treasury at that time, in which he states, in very much stronger language than I used, his view upon the claim which was then put forward by the War Office; and I certainly thought that it had been from that time forth abandoned. That is my view about Sir Ralph Knox's estimate at page 380 of the Appendix. I do not think I need take up the "estimated normal claim for home charges" which is given by Sir Ralph Knox in sub-appendix 2, because, if the 7*l.* 10*s.* rate is accepted by the Commission, this merely raises the same question in a different form. The main point of difference is, that there is an alteration in the deductions for rebate, and also additions to the rates for each recruit; but I do not think it is necessary for me to go into that.

14,301. I think we may take it, Lord Northbrook, as things stand before the Commission at present, that the question of the 7*l.* 10*s.* is not raised by the War Office or the Treasury; and that the India Office has stated that, so far as the arithmetical calculations are concerned, they do not raise the question. Therefore, to a large extent, that rate is accepted; but no doubt the India Office have added those seven points which they wanted to bring before the Commission, and that fact has, rather naturally I think, made the Treasury and the War Office consider that it is their duty to show counter-reasons to the Commission, in case the Commission should take up those seven points. That is the reason, I understand, why Mr. Ryder's and Sir Ralph Knox's memoranda have been put in?—I think there is one other plea which has been raised. I am not quite certain whether Sir Ralph Knox raised it, but it certainly has constantly been raised, namely, that India ought to pay something in respect of the reserves kept at home in consequence of the short service system, and I should like to read to the Commission the opinion that I expressed in 1874 upon the matter, and if any further explanation is desired I can give it. I said this: "Lord Cardwell describes the system " under which the army at home is now organised, " showing that the number of men with a battalion " at home is 520, while a battalion in India has 820. " The force, therefore, of an infantry cadre, as com- " pared with the number of men comprised in it, " is greater in England than it is in India. In " times of need the cadres of battalions, whether in " England or in India, are raised to a greater strength " of men from the army and militia reserves, which " are paid for by England. India, Lord Cardwell " argues, is interested in the maintenance of this " 'expansive' system, which supplies an effective " reserve, and India should, therefore, pay a pro- " portion of its cost. Whether that payment should be " based only upon the extra cost as compared with " large cadres or also upon the cost of the army and " militia reserves would, I presume, be for further " consideration; but the principle of some such " payment is broadly stated in his proposition: 'That " 'the addional cost which expansiveness involves shall " 'be borne by each (England and India) in the propor- " 'tion in which it employs the British Army.' Even " admitting, for the sake of argument, that it would " be practicable to apportion the benefits of the " 'expansive' system between England and India, we " have still to inquire first, whether the system does " really involve any 'additional cost,' and secondly, " whether India will reap, equally with England, all " the advantages which the system is calculated to " produce." I argued that no additional cost should be put upon India; for Lord Cardwell's system was an economical system, and that it entailed no additional cost upon England at all. "The system is also " excellent, because it will reduce the expense of " bringing the British Army, or a part of it, from " a peace to a war footing. Instead of being put to " the cost of raising and training recruits, England " will, by the payment of a small retaining fee " annually in time of peace, be able to obtain " soldiers fit to take their place in the ranks without " additional charge when the need for them arises." That is the description of the English system. "But " are all these advantages shared by India? No; " the assistance which India will receive when she " requires it may be more prompt than before, but she " will not obtain it without additional charge. She " will pay for every soldier sent with drafts to India, " and for every soldier in corps sent out to India, " a sum calculated at the cost of raising and training " a recruit. Therefore, she will pay England for " every man sent her from the reserve the expense " of his recruiting and training, and if he has served " in India before, she will pay this cost twice " over, except when she had a drawback. We are " asked then, as I understand it, to pay a part of the " cost of a system which, although more efficient, will " probably be more economical than the old one, and " for part of the cost of an article which we may " never use, but for which, if we use it, we shall " have to pay the full price." That is the main argument, namely, that England gets the advantage of this reserve without any payment. If India was to take advantage of this reserve she would have to pay, and, therefore, no claim can be equitably brought against India on account of the expansiveness of the system. Moreover, I may say that the Indian regiments being up to full strength, we do not want to supply for a frontier expedition, or any other expedition, any deficiencies in the strength of those regiments. In England, if we want to send an expedition, we should have to draw from the reserves to make up the infantry regiments to a proper strength; but in India, the regiments being always at full strength, the reserves are not required for this purpose, and it would only be in the case of a very serious war that the reserves would be in any way available. That is the argument for what it is worth. It is an argument against any claim upon India in consequence of the expansive system. I do not know that there is any other argument brought forward in answer to the equitable claims of India by the Imperial Government. If there is, I should be happy to give any opinion which I can.

14,302. (*Sir Ralph Knox.*) I do not think that question has been raised recently?—No.

14,303. It was raised by Lord Cardwell at that time; but I think it was decided that no claim should be made on account of the reserve, but on the condition that, if India was supplied with additional troops in any emergency, India should pay the recruiting cost for those men who were drawn from the reserves as if they had been raised and trained specially for the purpose?—That I assume in the memorandum I have just been reading.

14,304. That being accepted by the War Office, I do not think any claim has been ever made on account of the maintenance of the reserve since?—I do not think I have any other observation to make to answer Sir Ralph Knox's argument.

14,305. (*Chairman.*) We have now gone through the history of this capitation rate; but, as your Lordship is aware, that is not the only question between England and India that has given rise to a discussion ranging over years. I think everybody who has been connected either with the Imperial Government or the Indian Government has been alive to the extreme inconvenience attending the discussion of these disputed points when there is no authority existing to which reference can be made, and which can once for all decisively settle the dispute. Has that difficulty occurred to you during the very considerable experience you have had of these joint Indian and Imperial questions? And, if it has, may I ask whether you could suggest any means of meeting and avoiding what I think very often amounts to a scandal?—I think it is very difficult. I quite agree with what your Lordship has said. I think the present arrangements are very unsatisfactory. All these little discussions are exceedingly annoying and wearisome, and if any such arrangement could be made it would be most desirable. These questions appear in the main to be small questions that are going on from time to time. Supposing that some arbitrator should be accepted between the War Office and the India Office who would have no special knowledge of the subject and no connection either with the Government of England or the Government of India, and that a case could be agreed upon between the departments that could be put before him, rather in the way of a legal arbitration, I really think that might be accepted as a way of

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settling a great many of these questions. It would save a great deal of trouble.

14,306. In my experience it has always been a great difficulty to find such an arbitrator; and, generally speaking, the results of the arbitration have not been very willingly accepted. Probably, the 7*l.* 10*s.* rate has been the decision that on the whole has been deferred to most readily. The difficulty is, of course, to find the arbitrator whom both sides will think impartial and accept; and such a man is extremely difficult to find. The Government would naturally turn to the leaders of public opinion to undertake such a task; but they are connected too much with one side or the other to be held impartial. Might I ask if you admit that difficulty; and if it has occurred to you whether any kind of arbitrator might be chosen that would not be liable to those criticisms?—I cannot suggest anything better than to take a sensible judge of high character accustomed to deal with such questions, like the late Mr. Justice Hannen—that class of man. I am sure that if he had had a case before him, he would have given a fair opinion upon the question.

14,307. That is what I wanted to get at. Your mind would turn to a man like a judge?—Yes.

14,308. Accustomed to weigh evidence quite impartially?—Yes.

14,309. And who, without reference to either side, would require a complete case to be set before him, and upon that would judge, just as he would judge a question in court?—Quite. Let the India Office and the War Office state their case, and, if possible, agree on their case. If he wanted any further information let him ask for it; do not put experts alongside of him at all.

14,310. As in the case of the employment of troops out of India, no arbitration of that kind could bind the Indian or the Imperial Government; but I suppose you would hold, as in that case you mentioned before, that in all probability the decision of such an impartial person would be accepted?—If the two offices agreed to that kind of arrangement, I do not think any further question would ever be raised by anybody.

14,311. (*Sir William Wedderburn.*) I understand that you would consider that it is more important to get the matter settled than for one side or the other to gain the few pounds; or at least it is more politically important to get these matters out of the area of discussion than to fixing a payment very accurately at so many pounds?—Some of these questions involve very considerable sums, but those, I think, were the questions that we discussed before. In this particular question I am now talking about, if the 7*l.* 10*s.* arrangement were once accepted, there could be no discussion for a very long time. It could only be accepted, of course, for a term of years. After the expiration of that term of years the whole question might be opened again, but for the time being if the 7*l.* 10*s.* was adopted it would really resolve almost all these questions. Of course, this Commission will have to consider whether the India Office have made out any case for a reduction upon the arithmetical calculation of the 7*l.* 10*s.* rate.

14,312. (*Chairman.*) And, of course, if they do that, they must take into consideration what the War Office and the Treasury have to say on the other side?—Take the arguments on the one side and the other.

14,313. (*Mr. Buchanan.*) For what period would you consider it fair to accept the 7*l.* 10*s.* limit?—I think it has been going on now for three or four years. The 7*l.* 10*s.* is payable upon the establishment of the British forces in India, and therefore it is elastic. Supposing there was an increase or a diminution of the establishment in India the payment would be either increased or diminished. Therefore, I think it might be taken for ten years pretty safely.

14,314. (*Sir William Wedderburn.*) I think you said that the inquiry covered two separate matters, one the arithmetical question of 7*l.* 10*s.*, the other the more general equitable considerations of dealing with India?—Yes.

14,315. Could you oblige the Commission with any statement with regard to the practical application of those general principles as regards all questions between India and the United Kingdom, financial questions?—I do not apprehend that if a rate is settled there need be further trouble between the two offices upon the subject of the cost of training the recruits in England. The questions which may come up would be questions of the general organisation of the army which those representing India may consider to throw undue expense upon India. The advantage of this arrangement is that if the War Office choose to have a too expensive arrangement for their depôts and so on they would have to pay the cost. Therefore, the effect of it would be to make them economical.

14,316. (*Sir Ralph Knox.*) Your Lordship does not think it necessary that this question of the 7*l.* 10*s.* should be raised now with a view to its being re-considered. You do not think that there are sufficient grounds for re-opening the question if the two departments are willing to continue the arrangement, do you?—No. I understand that the two departments are agreed. I do not think any further re-opening of the question would be any advantage.

14,317. And you think that it might in fact rest so long as the two departments are willing to go on upon the arrangement?—Yes.

14,318. Supposing, for instance, it was necessary to increase very considerably the pay of the army, that would be a fair ground upon which the Home Government would like to have it re-considered? Or circumstances might arise, in consequence of some modification of the establishment in India, which might cause the Indian Government to wish to re-open the question; but until some distinct change of circumstances arises, you think it would be better that the 7*l.* 10*s.* rate should be maintained?—Certainly. Perhaps that would be quite as good an arrangement as one for ten years. It is not likely that either Department would like to re-open this abominable question, if the Commission will allow me to use the expression, unless there were very good grounds.

14,319. (*Sir James Peile.*) 1890–91 was the first year of the 7*l.* 10*s.* arrangement.

14,320. (*Sir Ralph Knox.*) When the short service was introduced, it was understood, was it not, that there must be an increased charge for the increased number of recruits sent out to India, also for the corresponding increase of transports necessary for conveying them both to and fro?—I think so; quite; certainly I myself should not consider that these points were any reason for any reduction.

14,321. They must be accepted?—Yes, as part of the organisation of the army generally.

14,322. It was anticipated that there would certainly be an increase under those charges, but, as a set-off against that, it was also equally looked forward to that there would be a certain reduction, in consequence of the short service system, in respect of pensions?—Yes.

14,323. And if it could be shown that the saving upon pensions, as compared with what would have arisen under the old system, is greater than the additional charges arising from the increased number of recruits and their transport, then the arrangement is favourable to India?—Certainly, it would be decidedly favourable to India if the anticipations of the actuaries of the War Office are correct as respects the ultimate reduction of pensions.

14,324. I do not know whether your lordship saw a statement of the pensions (page 387 of the Appendix) which were created year by year, both as against the Home Government and as against the Indian Government, Appendix 59?—No, I did not notice that paper.

14,325. If you refer to it you will find that in the first year, 1878–9, the annuities created in the shape of pensions amounted for the Home Government to 168,000*l.* and for the Indian Government to 57,000*l.*?—Yes, I see.

14,326. But if you refer to the last year, 1894–5, the annuities created (that is for the pensions for the men, not for the officers) were 47,000*l.* for the Home Government and 12,000*l.* for the Indian Government?—Yes, I see that.

14,327. That shows definitely that there is a considerable reduction in the annual charge created for pensions against both governments?—No doubt, and it was one of the advantages of the short service system when Lord Cardwell introduced it.

14,328. Quite so. Of course the charge cannot reach the normal for a considerable number of years?—No.

14,329. Because the results of the old system are still in existence to a considerable extent—the old pensioners, men who were pensioned under the old system, are still alive in large numbers. But this reduced pension charge against India of 12,000*l.* a year, as

against 57,000*l.* in 1878–9, shows a considerable diminution in the charge against the Indian Government?—Which is very satisfactory.

14,330. Well, that is what was looked to at the time to counterbalance the excess charges arising from the introduction of the short service system?—Yes.

14,331. Of course for the time there has been a heavier charge against India, but it will be met hereafter by the decreased charge for pensions on account of India?—I think I said, in answer to a question before, that I know that Lord Cardwell was in constant communication with the India Office, and that he was by no means neglectful of Indian interests when the short service system was introduced.

14,332. Then, in order to reduce the number of men transported between the two governments, the period of service in India was lengthened at that time, was it not?—I think every consideration was given by the War Office to the economical carrying out of the system, as far as they could, both in that respect and in other respects. I do not wish to let it be supposed by my evidence that these questions have not been very carefully considered, or that there has been the least desire on the part of the War Office to put undue claims upon India.

14,333. In regard to Appendix 51 (p. 380) I would just like to draw your attention to one or two instances. There is a charge set down for cavalry, 89,377*l.*, which to your Lordship appears a very considerable charge; but that, I may state, was the actual expenditure incurred for the cavalry depôt in existence at that time; that is to say, for the pay of the men, and the staff, and the horses, and so on, that were maintained there, solely for the purpose of training the drafts for service in India; but it represents, as a matter of necessity, the pay of men for a considerable time, because, as your Lordship knows, these men cannot be recruited on the day that we want to recruit them; they cannot be recruited at the age at which we want to recruit them; we are obliged to take them at the age at which we can get them, and at the time that we can get them, and inasmuch as there is a condition that these men cannot be allowed to go to India until they are 20 years of age, and have had at least a certain number of months' training, the result is that men, on an average, are retained at the depôt for a very much longer time than we should like to maintain them, although that time may be, in the opinion of some, absolutely necessary for training. In the 7*l.* 10*s.* arrangement the charge that is made against India is on the assumption that no man is in existence at that depôt for more than nine months; is not that so?—I could not say. I can say how much has been made out for each, because I find it in Mr. Ryder's paper. The calculation, of the Commission upon which the 7*l.* 10*s.* was based, was, according to Mr. Ryder's paper, 37*l.* 14*s.* 6*d.* a man.

14,334. But that is for all men?—Each cavalry man 37*l.* 14*s.* 6*d.* My memory does not enable me to say from what details that sum was made up.

14,335. If it be the case that the charge against India is based on the assumption that a man serves 9 or 10 months only, and that he of necessity is kept 18 months or two years, it is not extraordinary that there is a difference between the actual expense incurred and the claim made against India?—I think the argument may possibly be sound, but I think the administrators of the War Office may possibly invent a more economical system than the present cavalry depôt.

14,336. But your Lordship can quite unders and that that is the case?—Yes, I can understand.

14,337. That it is the case, that you cannot recruit a man the day you want to recruit him, or the exact age to a month or day at which you want to recruit him; that is so, is it not?—That is very true.

14,338. But, inasmuch as the Indian Government makes the condition that the man shall not be below a certain age, it may easily result under those circumstances that the man is kept at the depôt from a year to two years before he can be sent out to India?—I do not see how he can very well be kept so long as that, because, if he has nine months' training, why should any recruit for the cavalry be enlisted under 19 years or 19½. If the regulation of the recruiting officer was to take no cavalry recruit under such and such an age, there could be no necessity for keeping him two years in England.

14,339. Is your Lordship not aware that the experiment was tried, and the result was that we got no recruits?—I should have thought the cavalry was a popular service.

14,340. There was a change made, and the age of 19 years was fixed as the earliest age at which a man should be accepted, and the result was that we were something like 16,000 men short in the army that year. However, that explains the difference, I may say, of the figures set down in this paper, as against the claim that is made in the 7*l.* 10*s.* rate against the Indian Government for these recruits. This calculation represents the actual expense incurred, and the other represents the charge that is made according to the basis accepted between the two Governments; and I put this forward simply to illustrate how moderate is the charge against India as compared with the actual expense. As regards the remarks which your Lordship made about the general charges, have you not noticed that from the earliest times at which the points were under discussion, a claim has been put forward on account of this miscellaneous expenditure?—The only time that I am aware that a claim was put forward, was in some evidence given by Lord Cardwell in 1874. He did not put it forward more than as a kind of what is called a pious opinion—it was not an absolute claim—in the evidence; but I think I am not wrong in saying that there was a correspondence between the War Office and the India Office about it, about the time when the present Sir Henry Campbell-Bannerman was in the War Office, in the course of which correspondence the Duke of Argyll expressed his opinion at great length and with great force against the claim, and, moreover, I do not believe that the claim has ever been advanced since that time, certainly not to my knowledge.

14,341. I do not think that any definite claim has been made. I do not know that it is made in this paper. Now take, for instance, the Army Pay Department. The Army Pay Department is employed in paying all the men who are being trained for the Indian Government, so long as they are in this country. It, of course, prepares all the documents when the men proceed abroad, and so on; it also pays the whole of the pensions of the men who are pensioned, in consequence of their service in India. Do you not think that it is a very fair claim to advance against the Indian Government, that they should pay some of the expense of that Department?—It is just possible that some small reasonable claim for the payment of pensions might be adduced, on proper evidence being supplied. That seems to be a very small affair.

14,342. But if it can be shown, as stated elsewhere, that there are something like 14,000 or 15,000 men continuously on pay in this country, with a view to their being ultimately despatched to India, it stands to reason that the staff which exists in this country for administering the whole force, the 100,000 men at home, is employed partially in providing the wants of the 14,000 men?—I do not think I can accept that argument. I believe that at present one-fifth of the cost of the staff of the depôts forms part of the calculations included in the 7*l.* 10*s.* Surely the paying of the men at the depôts is done by the depôt staff.

14,343. But all these men at the depôts and at the cavalry depôt, and so on, are superintended by staff officers above them, and they are supplied by the departments of the army in existence for making the necessary preparations for those particular forces. Take cavalry for instance?—I do not think that that claim could be established if it was argued out. Take my own county. Take the Winchester depôt. India pays now one-fifth of the cost of the staff of the depôt. Suppose that the Indian troops were taken away from that depôt and put somewhere else to train, I do not believe you could reduce an officer from the depôt. I do not believe that you could get rid of the adjutant of the depôt, because he has got to do with the reserve forces and volunteers, and I do not know what else. The depôt centres were not started for the purpose of recruiting for India. It was with the view of localising the recruiting for the battalions of the English Army, the army in England, and for bringing the militia and volunteers into connection with the regular army. It was part of a general system. I am not perfectly satisfied in my own mind whether it has been found by experience to be an economical system for the training of recruits for India. I think it is very possible it may

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be found not to be, but at any rate I do not think that a single man could be saved from the staff, we will say, of the general officer commanding at Portsmouth or of the general officer commanding at Aldershot. How would it be possible in consequence of taking the Indian recruits away from Winchester to save any portion of the Aldershot or the Portsmouth staff? If the suggestion was put forward in the shape of a claim from the War Office against the India Office, I am satisfied that the India Office would be able to show grounds why such a claim would be quite untenable.

14,344. That is to say, there would be a difficulty in pointing out the particular individual who was doing the particular piece of work for the recruit that was to be sent to India?—For example, take the staff of the general officer commanding at Portsmouth, he has got a deputy adjutant-general, or an assistant adjutant-general, who has to perform part of these duties, but he has a great quantity of other duties. You could not reduce him; you cannot divide officers into pieces; you cannot take off a leg or an arm of a Commander-in-chief.

14,345. But the work of the staff is considerably affected by the numbers of men; you could make some reduction in these numbers?—I think it would be very difficult to make any reduction in the depôt staff.

14,346. The depôt staff is not included in this consideration?—I have not been at the War Office for so many years without some knowledge of these staff officers and so on. I cannot think that any substantial reduction can be made in the staff of the army by an alteration of the system of training the recruits for India; I do not think it could be done.

14,347. But do you not think that by the reduction of 16,000 men there could be a reductien in the staff or in departments?—I think that, if 16,000 men have to be kept up, I must say I doubt whether the system is as economical as it ought to be; but, however, apart from that, these 16,000 men being mainly recruits—almost all of them recruits—that really ought to make no considerable difference in the staff of the army or the expense of the War Office.

14,348. But the recruit has to be fed and clothed, and armed, and equipped, although he may be of very short service; in fact, it seems to me to stand to reason, that there is rather more trouble necessary to be taken with a recruit than with the fully trained man as regards his supplies?—It is quite true that the recruit has to be fed and clothed, and armed and equipped, but it is equally true that India pays the whole cost of that.

14,349. Not as regards the administrative staff?—I think it would be impossible. For example, let me give an instance. Take the Army Clothing Department. Supposing that these recruits are taken away, it would be impossible to diminish the staff of the Army Clothing Department, I should think, or that of the Contract Department in respect of their food. I think if you have got an army such as you have in England, the staff must exist even if there is a certain diminution in the total. I doubt whether the War Office could produce any argument which would be tenable to show that the existence of these men does increase the staff and departmental charges of the army otherwise than to the extent that is now paid for by India to England in the 7*l.* 10*s.*, excepting, perhaps, in the department over which Sir Ralph Knox so very ably presides. I think it is possible that in the Accountant-General's department of the army you might reduce something.

14,350. Are you not aware, taking the War Office for instance, that a very large part of the business of the Adjutant-General's branch consists in the preparation of those drafts for India, and seeing that the necessary men are forthcoming? In fact, it comprises a very large portion of the work of the Adjutant-General's department?—I think it is just possible in that particular case, as to the embarkation of troops, but I should doubt even there whether you would be able to reduce the Adjutant-General's department in consequence of the relief from the work of superintending the embarkation of troops for India; I doubt it; I think it woud be found very difficult.

14,351. Take the payment of the remittances that come from India. The soldiers in India are constantly making remittances to their families. It is almost the only place from which remittances come. All those remittances are made through the machinery of the War Office?—No doubt. That, again, would be a certain charge; and that reminds me of a point that was not mentioned in the course of my examination, namely, the great advantage that is derived by England from the very large amount of pensions which are paid by the Indian Government and spent in England. That is a very great advantage to England.

14,352. Then there is another instance, though only a very small one. The whole of the estates of the men who die in India—they die in larger numbers than they do elsewhere—are distributed by the War Office?—Well, it is just possible that there might be something.

14,353. I am merely mentioning these few things incidentally, to show that there is work distinctly in existence, both in the departments and in the War Office, arising from the fact that the Indian Army has to be supplied. Your Lordship is inclined to admit that there is something, but you do not think very much?—I should be very sorry to admit anything. If the question was thoroughly examined I think the India Office would be prepared to bring forward a counterclaim as against any claim of that kind that might be put forward; but I quite admit that in those particular cases there might be some small reduction made, if no such place as India existed.

The witness withdrew.

Adjourned till Monday next.

At the India Office, S.W.

THIRTY-THIRD DAY.

Monday, 8th February 1897.

PRESENT:

THE LORD WELBY, G.C.B. (CHAIRMAN, PRESIDING).

The Right Hon. LEONARD COURTNEY, M.P.
Sir WILLIAM WEDDERBURN, Bart., M.P.
Field-Marshal Sir DONALD STEWART, Bart., G.C.B., G.C.S.I.
Sir E. W. HAMILTON, K.C.B.
Sir RALPH KNOX, K.C.B.
Sir JAMES PEILE, K.C.S.I.
Sir ANDREW SCOBLE, K.C.S.I., Q.C., M.P.
Mr. G. L. RYDER, C.B.
Mr. T. R. BUCHANAN, M.P.
Mr. DADABHAI NAOROJI.
Mr. R. G. C. MOWBRAY.

Mr. COLIN G. CAMPBELL, *Secretary*.

Lieutenant-General Sir HENRY BRACKENBURY, K.C.B., K.C.S.I., called in and examined.

Lt.-Gen. Sir Henry Brackenbury, K.C.B., K.C.S.I.

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14,354. (*Chairman.*) Would you tell us the posts you have held at home and in India in recent years?—For the 5¼ years preceding my going out to India as a member of Council I was Director of Military Intelligence at the War Office, and I was at the same time a member of the Colonial Defence Committee—the permanent Colonial Defence Committee—and I may say that I was a member of Lord Hartington's Royal Commission on Naval and Military Administration. I went out to India and took over the post of an ordinary member of the Governor-General's Council in April 1891, and held it for exactly five years.

14,355. That is the post that we generally know as the Military Member of Council?—That you generally know as the Military Member of Council; and I had previously served in India as a regimental officer and as private secretary to the Viceroy.

14,356. Who was the Viceroy?—Lord Lytton.

14,357. And you are now?—I am now President of the Ordnance Committee.

14,358. The Commission has been appointed "to "inquire into the administration and management of "civil and military expenditure in India, and into the "apportionment of charges between the Governments "of the United Kingdom and of India for purposes in "which both are interested." We will, if you please, take the question of administration first. You have read, I think, the evidence of Sir Edwin Collen and Captain Hext upon the progress of military and naval expenditure, and upon the administration of those two branches of expenditure. Are there any points on which you would wish to supplement or amend their evidence?—I think not, my lord. I think that it would be better that my evidence should be taken by itself rather than as an examination of the evidence of others.

14,359. Tables have been supplied to us which show the progress of expenditure under the different heads under examination for 20 years from 1875. You would, I presume, have no personal knowledge of military administration during the earlier part of that time?—None.

14,360. The great increase appears to have taken place about 1884–85. Can you give us your views as to the causes of that increase and the necessity for it?—From the year 1884–85 to the year 1885–86, there was of course a great jump in military expenditure; there was a jump of three crores.

14,361. I was rather anxious to confine the question to what took place in 1884–85, when, I think, the strength of the army was increased, was it not?—In 1884–85 the military expenditure was about the lowest that it ever was in India. The jump took place in the year 1885–86, and from that date until the year 1896–97—until the current year—there was practically no rise at all in Indian military expenditure other than that due to fall in the value of the rupee.

14,362. And also, I suppose, to the expense of certain expeditions which have taken place during that time?—Yes; but military expenditure remained really very fairly steady from the year 1885–86 up to the year 1895–96. I have the facts and the details of that in my own speeches made in the Legislative Council in 1893, 1894, 1895, and 1896.

14,363–4. In your speech in the Legislative Council in March last, I think you reckoned the increase during the decennial period in army expenditure at about 3½ crores, did you not?—I think about that, yes. I used to deal with it each year. I showed in 1893 that, apart from exchange, there had only been an increase of 4½ lakhs in the army estimates between 1885–86 and 1893–94; and then, again, the next year I showed again about the same.

14,365. If we take the increase at something like that figure which I have mentioned, which I suppose we may roughly call 3½ millions?—Well, of course, a crore of rupees is not a million pounds.

14,366. But still the rough method in which we speak of those things is on that basis, is it not?—Yes; I often think that it is exceedingly unfortunate that those accounts are made in this Rx. I think it leads to very great confusion in the minds of those who are not familiar with the sterling value of the rupee.

14,367. But at all events, taking that as the increase, perhaps you would tell us to what extent the measures of 1885–86, the annexation of Burmah and the increase of the force, account for that increase?—I should say that the whole thing is stated here at page 59 of the appendices to your first report in one short paragraph by Sir Henry Waterfield. He shows how the increase of 2½ crores, apart from exchange, has occurred, and exchange up to 1895–96 would very nearly account for the other crore.

14,368. As between 1884–85 and 1895–96?—As between 1884–85 and 1895–96.

14,369. The paragraph you allude to, I suppose, is that in his Table 4, that shows how the increase of Rx. 2,540,838 in military expenditure in India (apart from exchange) has occurred?—Table 4, yes.

14,370. For the sake of getting it down in the evidence, would you just give the chief figures?—At the end of 1885 it was decided to add about 10,000 European troops, and 20,000 native soldiers to the army, which made a permanent addition to its cost of Rx. 1,617,338. The extra charges in Upper Burmah, though much reduced since 1886–87, may still be taken at Rx. 420,000. Special operations in 1894–95 gives more than in 1884–85 by Rx. 157,181; and in other respects the army charges have increased by Rx. 231,619, making a total increase in the army effective charges in 10 years of Rx. 2,426,138. The non-effective charges in India are heavier by Rx. 58,729. The special defence works did not exist in 1884–85. In 1894–95 the cost

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was Rx. 68,900, total, Rx. 2,553,767, but the military works are less by Rx. 12,929. The result is an increase of Rx. 2,540,838.

14,371–2. Besides that, what is usually called the loss by exchange accounts for another million?—About a crore. I said, speaking in the Legislative Council, in 1893: "In 1885–86 the amount of net army expendi- "ture brought into account in India was Rx. 14,361,000. "In the year 1893–94 the Budget estimate is Rx. "14,981,000. The difference between the net military "expenditure in India between 1885–86 and 1893–94 is "therefore 62 lakhs of rupees, and of these 62 lakhs, "57½ lakhs are due to the fall in exchange, the actual "increase apart from that item of exchange being "4½ lakhs of rupees." In the following year—I should like shortly to add this because it shows from year to year how affairs went:—In March 1894, I said: "Last year, in speaking in this Council, I pointed "out that from 1884–85, which was a year when the "military expenditure had touched its lowest after "the Afghan war, there was a great jump to the "year 1885–86. I said that between 1885–86 and "1893–94 there had been a rise of 62 lakhs in the "military Budget estimates, but that of these 62 lakhs "57½ lakhs were due to the fall in exchange, and that "the actual increase in all those years, apart from what "was due to fall in exchange, was only 4½ lakhs. Now "we have almost exactly the same tale to tell this "year; the net figures of the Budget for 1893–94— "that is, last year—were Rs. 14.98.16,000; the net "figures for 1894–95 are Rs. 15.41.67,000, showing a "rise of Rs. 43.51,000. Of these 39 lakhs are due to "exchange, leaving as due to other causes, a rise of "4½ lakhs this year." Then I went on to explain in detail how that rise owing to exchange took place. Then in 1895–96 I showed that there was a reduction in the revised estimate, as compared with the Budget estimate of 1894–95, of 17 lakhs, showing this for the first time for a great number of years. Sir James Westland had pointed out: "It is believed that the net "military expenditure within the year will be actually "less than was estimated for, so that in reality, in "1894–95, the expenditure was less than in 1893–94 "except for exchange."

14,373. In fact the decrease more than counterbalanced the increase in the previous years, putting exchange aside?—Certainly; and then I went on to say—this is speaking in 1895—"the net military Budget estimate for 1894–95 was reduced to Rs. 15.41.67,000. "That for 1895–96 is Rs. 16.28.60,000, showing an "excess over last year."

14,374. What year are you taking now?—This is my speech in 1895. I am speaking of the estimate for 1895–96: "showing an excess over last year of Rs. "Rs. 86.93,000. Now how is this excess accounted "for?"

14,375. I thought I understood you to say, quoting from Sir James Westland, that in the year 1895–96 there was a reduction of 17 lakhs?—No, that was in the year 1894–95.

14,377. 1894–95. But as I have got the figures taken down from you the revised estimate for 1893–94 was Rs. 14.98.16,000; and in 1894–95, Rs. 15.41.67,000. That shows a certain rise?—I am afraid I must refer back for that.

14,378–9. I only want that we should understand our figures?—Certainly. The net figures of the Budget of 1893–94 were Rs. 14.98.16,000. The net figures for 1894–95 for the original Budget estimates were Rs. 15.41.67,000. But the revised estimate for 1894–95 was only Rs. 15.24.61,000.

14,380–81. Still, that shows an increase over the figures of 1893–94?—Yes; but considerably more than that increase was due to exchange. Practically, the amounts would have been the same if the exchange had been the same.

14,382. Where does the saving of 17 lakhs come in?—The saving of 17 lakhs is the difference between the original Budget estimate and the revised estimate for 1894–95.

14,383. After taking off the exchange?—No; it is on the whole estimate. I had shown that there was a rise of 43½ lakhs, of which 39 lakhs were due to exchange, leaving an actual rise of 4½ lakhs; but instead of a rise of 43½ lakhs the revised estimate brought out a rise of only 26½ lakhs, and, as exchange accounted for 39 lakhs, it shows that, but for exchange, the expenditure for that year would have been less than that of the year before.

14,384. That I understand now. You are coming now to 1895–96, are you not?—Yes. Speaking in 1895, I said, "The net military Budget estimate for 1894–95 was "Rs. 15.41.67,000, that for 1895–96 is Rs. 16.28.60,000, "showing an excess over last year of Rs. 86.93,000. "Now, how is this accounted for? It is mainly due "to the old story of the fall in exchange. This year, "as I have shown, we took the soldiers' pay at 1*s.* "3½*d.* and exchange compensation at 1*s.* 2*d.* For the "coming year we have taken the former at 1*s.* 1½*d.* "and the latter at 1*s.* 1*d.* with the result that we have "to add 51 lakhs to our estimates on this account."

14,385. That was 51 out of 86?—That was 51 out of 86. "Then we have 12½ lakhs on account of the occupa- "tion of Waziristan, and the expense of that expedition, "18 lakhs have been added to the Budget for increase "of pay for the dismounted branches of the native army, "and 15 lakhs for the preparation of the Chitral relief "expedition. These four items, fall in exchange, "Waziristan, extra pay for the sepoy, and the new "expedition, amount to about 97 lakhs. The actual "increase is only 87, so that we have made reductions "in other directions amounting to some 10 lakhs."

14,386. (*Mr. Courtney.*) Have you not taken the exchange there at less than it proved to be that year. 1*s.* 1½*d.* you said?—We took the soldiers pay at 1*s.* 1½*d.* That is done under the orders of the Secretary of State.

14,387. And the other item?—And the latter (exchange compensation) at 1*s.* 1*d.* In 1895–96 exchange, I think, at one time fell to 1*s.* 0½*d.* By looking at Sir James Westland's financial statement for the following year I could see what it was taken at.

14,388. (*Mr. Mowbray.*) Why do you take a different rate for a soldier's pay and the compensation allowance?—The rate at which the soldier's pay shall be taken is fixed by the Secretary of State, and it was generally fixed on the average of the exchange during the preceding year up to the 15th December, I think it is. It was fixed on that basis. But the rates of exchange compensation would be fixed by the Financial Member in India in consultation with the Secretary of State according to his real estimate of what exchange would be during the year. He would probably pitch it a little too low so as to allow himself a margin.

14,389. Then, in fact, in a time of falling exchange, the rate at which the soldier's pay is calculated is a little disadvantageous to the soldier?—In a time of falling exchange, yes. If, for instance, the soldier's pay were fixed at the 1*s.* 3*d.* rate, supposing exchange fell to 1*s.* 2*d.*, of course the soldier would not be so well off as if he were paid at 1*s.* 2*d.*

14,390. That is exactly what I thought?—And I may state that during the one year during which there were the greatest fluctuations in exchange—I forget whether it was 1894–95 or 1895–96, I think it was 1894–95—we did for a whole year vary the soldier's pay quarterly. That gave him for the following quarter his pay at the average rate of the preceding quarter. That was only done during this one year. The Secretary of State expressed his opinion that it was very desirable to go back to the old manner of having a fixed rate and paying at that rate all through the year, and letting the soldier take his chance of whether exchange was a little higher or a little lower; but exchange compensation has always been paid at a different rate each quarter, based on the average rate of the preceding quarter.

14,391. (*Chairman.*) Then, I suppose, as far as the soldier's pay is concerned, if the exchange rises during the year, you do not make any saving of it because the soldier receives a fixed rate during the year?—The soldier receives a fixed rate during the year—yes.

14,392. But in your speech on the Budget of last year, you account for the savings on that estimate; and 5½ lakhs are due to diminution in exchange compensation allowance owing to improvement in exchange?—Yes.

14,393. Therefore, when the compensation allowance is concerned, you get the benefit of a rise of exchange?—Certainly; the Government gets the benefit—yes.

14,394. The Government gets the benefit?—But the soldier, of course, as distinct from the officer, does not get the exchange compensation allowance. No one who

is paid in sterling receives compensation allowance, and the British soldier is paid practically in sterling.

14,395. I think now you are coming to 1896–97, are you not?—In 1896 I said, "I have great satisfaction " in bringing to notice that the net expenditure in " the Indian estimates for 1894–95, the accounts for " which year are now completed, was below the Budget " estimates for that year," and so on. Then I went on " The Indian Budget estimates for 1895–96 include " three great items of expenditure which have not " appeared in former Budget estimates."

14,396. Perhaps you would give us the figures?—Before I pass to that, perhaps I had better speak about what really happened in 1895–96. In India there was an excess over estimates in 1895–96 of a crore and 8½ lakhs—108½ lakhs—but there was expenditure in the Indian estimates, on account of the Chitral expedition to the extent of 165 lakhs. Whereas the total excess expenditure over estimates was only 108½ lakhs, there was expenditure on account of Chitral 165 lakhs, so that but for the Chitral expedition the whole of the military expenditure during the current year in the Indian Budget estimates would have been 56½ lakhs below the estimates.

14,397. Then those two years were somewhat exceptional years, and satisfactorily exceptional years in Indian military expenditure, inasmuch as, apart from the Chitral expedition, the actual expenditure would have been very much below the estimate?—Would have been below the estimates, and I hope it will always be so in the future, now there is a proper system of control.

14,398. May I ask, as a general rule, in past years, did you find that the expenditure—the actual expenditure—corresponded closely to the estimate, taking the years before 1895–96?—No, I do not think it did.

14,399. You found that they were frequently in excess, did you?—I think the tendency was for them to be in excess until a proper system of control was introduced, and I explain that shortly here: "The savings in the " Indian Budget estimate, which have reduced the net " excess from 165 lakhs, due to the Chitral expedition " alone, to 108½ lakhs, are due to various causes; 17 " lakhs of these savings are due to fall in food prices " below the estimated rate; 5½ lakhs are due to " diminution in exchange compensation allowance " owing to improvement in exchange; 7 lakhs are due " to savings on account of conveyance of troops and " stores; 5½ lakhs to savings in commissariat establish- " ments and miscellaneous commissariat expenditure; " 1¾ lakhs to saving in hot-weather establishments and " barrack supplies; ¾ of a lakh in savings in sea-water " transport charges," and so forth. "These savings " show careful and economical management by heads " of departments," &c.

14,400. (*Mr. Buchanan.*) But part of that is due to improvement in exchange, is it not?—5½ lakhs out of 56½.

14,401. No more: none of those other savings, transport charges and so forth?—Only the 5½ lakhs.

14,402. (*Sir Ralph Knox.*) The fall in the price of food?—The fall in the price of food, 17 lakhs, and 5½ lakhs in diminution of exchange; that is 22½ lakhs out of 57 lakhs; that is, about 34 lakhs were what might be called real genuine savings due to careful administration on the part of heads of departments.

1403–4. (*Chairman.*) Now, referring for a moment to Sir Henry Waterfield's Table No. 4, which shows how the increase (apart from exchange) has occurred, should I be right in saying that out of the total increase of Rs. 2.54.00,000, the increase in the *ordinary* army charges (*i.e.*, exclusive of expenditure due to the occupation of Burma, to special operations, or to the increase of the Army) amounted to about 23 lakhs on effective account, and very nearly 6 lakhs on the non-effective, making very nearly 30 lakhs in all?—Yes.

14,405. And might we take it that those 30 lakhs represent the increase during that period on what I may call *ordinary* army services?—Certainly.

14,406. That is the total increase in those branches over which the military authorities have control?—I should say so.

14,407. Because, of course, they have control as regards increasing pay or incurring extra charges?—Yes, quite so.

14,408. (*Sir Ralph Knox.*) How much did you say must be put down for the increase in the pay of the sepoy?—I am afraid I did not say.

14,409. (*Chairman.*) I understood you to put it at Rs. 1.61.00,000?—It must be somewhere in these papers that you have, but I cannot really remember the amount.

14,410. I thought that you stated it on Sir Henry Waterfield's authority at Rs. 1.61.00,000?—No, I think not. Oh, no; that is not the increase in the pay of the sepoy, that is the cost of the increase to the army; but Sir Ralph Knox is asking me, I think, about the increased pay to the soldier. Well, of course, there were two distinct increases. There was one shortly before I went to India; there was the increase given to the native cavalry, and I am sorry I cannot tell you how much it was, but I am under the impression that it was something like 20 lakhs; and then there was given in the last year that I was in India an increase to the sepoy, to dismounted branches, as they are called, wrongly called, of the army, and that amounted, I think, to 28 lakhs, so that those items alone would account for 48 lakhs of additional expenditure.

14,411. Up to what date, do you remember, does Sir Henry Waterfield's comparison extend?—To 1894–95.

14,412. Then should I be right in concluding from what you have just told us of various recent reforms and economies, that that 30 lakhs of increase of expenditure in branches over which the military authorities have control, has been diminished by reforms between 1894–95 and the present time?—No, I could not, I think, say that. You see there are alterations constantly going on, very large increases are made in the shape, for instance, of that increase of pay to the native cavalry soldier, and the increase of pay to the native infantry soldier. On the other hand there are constant savings being made in different directions, which counterbalance those, to a great extent, with the net result that, apart from exchange, you really have not got any great rise in the estimates.

14,413. I was taking the increase of pay to the force as a matter of general policy apart from those changes in ordinary administration, on which I gather savings have been made; and when you mention a saving in the Budget of last year of 7½ lakhs in ordnance charges, ¾ of a lakh saving in sea-transport charges, do not those come under those ordinary branches of expenditure in which you have a right to take credit for that saving?—Certainly, I think so.

14,414. And so far, though you have not got a table put together, they would tend rather to the diminution of the 30 lakhs than to their increase, would they not?—Yes, certainly.

14,415. My questions are directed to this point. You have pointed out in your speech the care that has been taken lately to effect reforms and savings whenever possible, and I wish to bring out, as far as we can, on the one hand, the actual increase in the ordinary branches of military expenditure, and, on the other hand, the savings. On the whole, may we conclude that the increase in those ordinary branches of expenditure has been small, if anything?—I think that the increases have been considerable; but I think there have been constant savings in other directions to counterbalance them. If your question points towards the question of whether you can expect or hope that there will be no further rise in Indian military expenditure, I have dealt also with that question in speaking in the Legislative Council in 1894.

14,416. We shall come later to that. I think I can explain my meaning as follows: Taking these figures from Sir Henry Waterfield which you have quoted to us, and assuming the increase in what I call ordinary army charges to be 23 lakhs and 6 lakhs on effective and non-effective account, respectively, suppose Sir Henry Waterfield were to make out those two figures for the present year, would they be greater or less, do you think, than 23 lakhs and 6 lakhs respectively?—I should say they would be greater.

14,417. You think they would?—I think they would be greater, because since that you have added 28 lakhs alone for pay to the native soldier.

14,418. I mean to except that, which I look upon as a question of policy?—Apart from that I do not think there would be.

14,419. Is there any other point in regard to the increase in military expenditure to which you would like to call our attention?—No, I think not.

14,420. There appears at first sight to be a preponderance of military authority in the Council of

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the Viceroy; there are two military members, while no other department of Government has more than one representative. Is there any force in such a criticism?—No. I think that if I might make a statement to you of the position of the so-called Military Member of Council, and of his relations to the Commander-in-Chief and to the Council, and of the relations of the Commander-in-Chief to Council, and so on, that would be the best way of answering your question.

14,421. Certainly; then, if you please, I will put this question to you. Would you describe the position of the Military Member of Council; his powers, and the limitations of his powers?—I should be very glad to do that. I should like to begin by saying that every decision taken, or every act of any member of the Government of India, or any department of the Government of India, is the act of the Governor-General in Council; and I believe that at one time everything was referred to the Governor-General in Council by the Secretaries. But, as business grew, it became impossible for all questions to go up to Council, and then the Viceroy placed certain members of the Council in charge of certain departments, and they then became to a certain extent ministers in those departments, and I must say that the tendency is growing more and more in India—I could see a marked change even during the five years I was in India—for the Government to become a government by ministers, very much as the Government here in this country is. The so-called Military Member of Council is simply an ordinary member of the Council of the Governor-General, who is placed by the Governor-General in charge of the Military and Marine Departments. The term Military Member does not mean that he is a military man any more than, for instance, if the Marine Department were more important than the Military Department—he is member for both—in which case he would probably have been called the Marine Member, that would imply that he was a marine or a sailor. And the reason that a soldier is generally placed in charge of the Military Department—always, I believe, hitherto, the Military Member has been a soldier—is, I take it, simply that if you want to build a house well and economically you employ an architect; if you want to make a road or a railway you employ a road or a railway engineer, and so, if you want to make an army, you employ a soldier. For that reason, where party and political considerations do not come in, as they do not in India, a soldier has been employed to be head of the Military and Marine Departments. Now, he is a minister for that department, subject to certain limitations of his power. In the first place, the secretary in the Military Department is the secretary to the Government of India, and not the secretary to the Military Member, and he has the right under the rules of business to take to the Viceroy any question whatever, even though the Military Member of Council may have decided upon it, if he does not agree. If he does not think that decision quite right, he has the power to go to the Viceroy and lay the question before him. That is the first limitation on the Military Member.

14,422. (*Mr. Courtney.*) Is the Secretary a soldier also?—Yes, Sir Edwin Collen is a soldier.

14,423. He is habitually a soldier?—He is always. In fact, the appointments in the Military Secretariat are military appointments. The second great limitation upon the power is that no member of Council in charge of a department can overrule any Provincial Government without the approval of the Viceroy. The third limitation consists in the rules of business laid down for financial matters, limiting the powers of the member of Council in charge of any department as to what he can do, and what he cannot do, without the authority of the Finance Department; and the Military Member has this rather peculiar limitation, which no other member has, that the Commander-in-Chief, as being a member of Council, has the power if he likes as a member of Council to appeal to the Viceroy in Council against any decision of the Military Member.

14,424-5. Would you call that a limitation of the military authority of the Military Member of Council?—The Military Member of Council has no military authority. He is absolutely, purely, and entirely a civilian. He is an ordinary member of Council in exactly the same sense as the Public Works member, or the Legal member, or any other member. He has no military authority whatever, absolutely none. He is distinctly, by the Act of Parliament, barred from holding any military position, or taking any command of troops.

14,426. Perhaps I should have used the word "bias" instead of "authority." Would you call that limitation by the Commander-in-Chief as any check upon the bias of the Military Member in a military direction?—That is assuming that the Military Member has a bias, which I should not be inclined to admit.

14,427. (*Chairman.*) At all events, it is a limitation upon the Military Member's powers that the Commander-in-Chief has this right of appeal?—I am speaking about the limitations to what may be called the absolute powers of the Military Member of Council.

14,428. The limitation being that the Commander-in-Chief has the right of appeal?—That the Commander-in-Chief has a right of appeal. That is to say—I put it in this way—supposing that the Military Member of Council were without going to the Viceroy, as is the case in very many minor matters, to simply reject the proposal of the Commander-in-Chief on his own authority, if the Commander-in-Chief likes, he, being a member of Council, can send for the notes when the official decision comes to him rejecting his proposal—he can send for the notes on the case. After seeing those notes, he can say, "I wish this case to go up to the "Viceroy and to ask his Excellency to take it into Council."

14,429. (*Sir Andrew Scoble.*) Cannot every civil member of Council also send for the notes in any case in which he thinks the public interest is concerned, and so bring the matter before the Council?—Unquestionably he can.

14,430. So that would be a further limitation on the Military Member of Council?—Certainly, that applies to every member of the Council. I was putting, as a special limitation of the Military Member, the fact that the Commander-in-Chief, who is the executive officer, and to whom he conveys the decisions of the Government, has a power, which no other executive officer in India has, of appeal to the Council.

14,431. (*Chairman.*) This answer of yours, Sir Henry, is in explanation of the apparent predominance of military authority. You say that the directions in which the Military Member of Council and the Commander-in-Chief are acting need not always be parallel?—Certainly; I bring that forward merely to show that there is a right of appeal on the part of the Commander-in-Chief by virtue of his being a member of Council, which does not exist even, for instance, in the case of the Lieutenant-Governor of Bengal or any of the Lieutenant-Governors. They have not got that appeal from a decision which is conveyed to them officially as the decision of the Government of India. They have got no appeal from that; but the Commander-in-Chief has the right of appeal from an official decision if he chooses to exercise it. I will come, if I may, presently to state how that works in practice.

14,432. I gather from an answer that you just now gave, that an ordinary member of Council has always the power of asking the Viceroy to take any question into consideration?—Certainly; and he can ask the Viceroy to bring it before the Council.

14,433. Supposing the Financial Member dissents from a decision at which the Military Member has arrived, he would have the power of going to the Viceroy and asking him to take it into the Council?—Certainly.

14,434. Therefore, in that respect, the practical right of appeal of the Financial Member corresponds to that which the Commander-in-Chief has?—Yes; every member of Council who dissents from the decision of any of his colleagues on anything can go to the Viceroy and ask the Viceroy to bring the matter up and have it discussed in Council.

14,435. Had you finished the question of limitations?—Well, I was going on then to speak about the relations to the Commander-in-Chief.

14,436. I will ask you shortly as to that, but I want to interpose one question, to bring the position home to us. Your description of the functions of the Military Member of Council leaves me under the impression that, on a rough analogy between the Home Government and the Indian Government, the Military Member of Council corresponds to the Secretary of State for War, the Commander-in-Chief to the Commander-in-Chief?—No, the Military Member has not got at all the powers of the Secretary of State for War. The Secretary of State for War is directly over the Commander-in-Chief in England.

14,437. I know. I particularly said that they are merely roughly analogous?—No; I would say that the comparison which was made in some of your questions to other witnesses is a correct one, when you say he corresponds very much with the old Secretary at War. He corresponds very much with the German Minister of War. The Military Member of Council corresponds very much with the German Minister of War.

14,438–9. (*Mr. Buchanan.*) I do not quite understand what you say about the limitation that the Finance Department imposes upon the Military Member of the Council. Has the Finance Department any special check and control over the Military Department more than over any other department?—Yes. There are certain definite rules laid down for the conduct of business between the Military and the Finance Departments. The Military Member is limited by certain rules, in regard to what he can do in relation to transferring sums and so on, which apply only to the Military Department.

14,440–1. But is the Military Department more under the control of the Finance Department than other departments?—No. I think the departments are all under the control of the Finance Department. But the Military Member is under special rules which relate only to his own special department.

14,442. But they do not limit him more than any other department in making financial proposals?—No.

14,443. (*Sir Ralph Knox.*) How do the other members of Council become aware of the decisions of the Military Member of Council, in order to afford them the opportunity of raising any questions?—They would never become aware of anything except the really important questions, and only very large questions. It is only the very large questions that go before the Council at all; but all large questions do. I will come to them in a moment.

14,444. (*Chairman.*) You were speaking of the peculiar position of the Military Secretary. Does he hold office only for a period, for five years?—He is appointed for five years subject to renewal. Sir Edwin Collen was in his eighth or ninth year when I left.

14,445. Then the Secretary does not hold a post at all analogous to that which the Under-Secretary of State occupies in relation to the Secretary of State?—I think that in reality he does, though theoretically he does not. I think he is really very much like the Permanent Under-Secretary of State, except that he has this power of going to the Government; and how that works in practice I would say by-and-by, if I may.

14,446–7. Of course that is a very great difference, because the Under Secretary of State here is purely a subordinate of the Secretary of State, whereas you could hardly describe a man with that power of appeal as purely a subordinate?—No; and the Secretary takes great pains to impress upon you that he is Secretary to the Government of India, and not the secretary of the Military Member of Council.

14,448. (*Mr. Mowbray.*) And this is true of the Secretaries in all the departments; there is nothing special about the Military Secretary?—Quite so.

14,449. (*Chairman.*) Now, would you give us the relations of the Military Member of Council with the Commander-in-Chief?—All proposals whatever for changes, whether for increased expenditure or for decreased expenditure—and I am happy to say we had some of those—or for changes in organisation of the native army, in fact, all proposals from the Commander-in-Chief, must be put forward and made to the Military Department. The letters are addressed by his staff officers to the Secretary to Government in the Military Department, but all proposals which involve expenditure in any way are put forward through Controllers. They go first of all to the Controllers of Military Accounts, and through them they come up to the Government of India with their report upon the financial effect of those proposals. Then the Military Department criticises these proposals; they go to the assistant secretaries, then to the deputy secretary, then to the Secretary, till finally they come up to the Military Member. As a rule, the Controller's reports are so complete that it is not necessary to consult the Accountant-General; but on any important questions, or wherever I thought that I wanted something more than the Controller's report, I referred to the Accountant-General, and in that way, when the thing comes before him, the Military Member of Council has got a very thorough and complete report, not only on the financial aspect of the whole question, but also, from his secretariat, upon the various other aspects of the question, and then he has to deal with it. He may, on his own authority—and it is constantly done if the matter is not one of very great importance or difficulty—reject the Commander-in-Chief's proposal. A letter goes back officially from the Government of India to say they regret they cannot accept the proposal. He can—if it is within those limits within which he has the power to sanction expenditure under the financial rules— accept the proposals of the Commander-in-Chief; or, if it is a matter which has to go to the Finance Department, it being beyond the powers of the Military Department to sanction it, the Military Member can send it on to the Finance Department asking them to concur in the proposal; and, therefore, the Commander-in-Chief in all matters of every sort affecting expenditure is under the control of the Military Department.

14,450. (*Mr. Courtney.*) With a power of appeal?—Yes. How that power of appeal works in practice I think I might presently state. Next come the relations of the Military Department—the Military Member of Council—to the Finance Department.

14,451. (*Chairman.*) Before you pass to that subject, I understand that the Controllers' reports do not pass to the Military Department through the Accountant-General as a matter of necessity?—No. They come direct to the Secretary.

14,452. And the Accountant-General would only know of them in case the Military Member of Council wished to consult him?—It depends. There are certain cases in which they would come up through him. Sir Edwin Collen explained that to you. In certain cases they come through Section F., but if they come up from any other sections to the Military Department, the Accountant-General need not know of them, unless his advice is asked. The Controller is a very high official, and he is supposed to be capable of advising. This is in fact decentralisation. The Accountant-General could not, by any human possibility, advise upon every proposal, large and small, which comes up.

14,453. (*Sir Ralph Knox.*) You say that the most of the proposals come through the Controllers?—They all come, all proposals involving finance.

14,454. But taking the larger questions, such as that we have already spoken of, the increase of pay of the army, the increase of the establishment of the army, they would not come through the Controllers?—That is a proposal which would emanate directly from the Commander-in-Chief. As a matter of fact, no written proposal was put forward by the Commander-in-Chief for that increase of pay to the native army until it had been agreed to by Council. It was discussed between the Commander-in-Chief and myself. It was discussed in Council, and it was an Order in Council that a despatch should be sent home to the Secretary of State asking that this should be done; but, of course, before that despatch went, the Accountant-General was called upon to estimate what the cost would be, and that estimate with a formal official letter from the Commander-in-Chief went with the despatch to the Secretary of State.

14,455. Then from whom would the proposal really have come in that case, from the Commander-in-Chief or from the Military Member of Council?—In that case from the Commander-in-Chief.

14,456. (*Sir Donald Stewart.*) Was it not the fact that the Commander-in-Chief consulted a great number of commanding officers about it before anything was done?—Yes, he consulted a great number of commanding officers about it before anything was done. But the official letter written by the Commander-in-Chief, and sent home, advocating this, was not written until the whole thing had been discussed and very thoroughly talked over in Council, and it had been decided that it must be done.

14,457. (*Sir Ralph Knox.*) That would be the same in regard to the increase of the establishments in the army?—That would be the same, I should think, yes. There is another question, the money which was granted last year for the mobilisation for third and fourth divisions. That, I may say, emanated from me; and that was discussed and talked over between the Financial Member and myself, between myself and the Commander-in-Chief, between myself and the Viceroy, and then was discussed in Council, before any official proposal was made; and then an official proposal

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was made and circulated to Council and everybody agreed; and then a despatch was sent off.

14,458. And who made the official proposal in that case?—The official proposal in that case was made by me in the form of a note addressed to the Viceroy stating reasons why this step was considered necessary, and asking the Viceroy's approval—which was not formally necessary, but as a matter of courtesy was desirable—for my sending to the Finance Department and inviting their concurrence. Then it went to the Finance Department. The Finance Department expressed their willingness to endeavour to find the money; and then it was circulated to all the members of Council and to the Viceroy.

14,459. (*Mr. Courtney.*) The discussion in both cases in Council began with yourself?—The discussion in both cases in Council began with myself. That is the procedure under the Rules of Business.

14,460. (*Sir Ralph Knox.*) Then the proposals that you say come through the Controllers are practically minor proposals in order to improve the efficiency of their particular department, or to meet some local demand which has arisen from the every-day experience of the troops?—Quite so.

14,461. That is the class of expenditure which comes through Controllers?—Yes.

14,462. But all the larger questions are practically decided and discussed, and in most cases raised, by the Military Member of Council?—Certainly.

14,463. (*Chairman.*) Then in such a case as that of the increase of pay, where does the financial criticism of the proposal come in? I understood from you that, when that measure was decided upon, before the despatch was written and the order issued, the Accountant-General was called upon to draw up an estimate?—Yes.

14,464. The drawing up of the estimate was merely putting into figures that which had already been decided?—Certainly.

14,465. At what point did the financial criticism on that proposal come in?—Well, the financial criticism on that proposal would come in as follows: The Commander-in-Chief would say—I cannot remember whether this case came forward in the shape of an official proposal, or whether it came forward in the shape of unofficial notes which passed between the Commander-in-Chief and me—"I consider it necessary, "for certain reasons, that the pay of the native infantry "soldier should be increased, and the amount, by "which I consider it necessary that it should be "increased, is two rupees per month, and I give my "reasons for this—the cost of living to the native "soldier is so much," and so forth. He went into all the different expenses of the sepoy after consultation with a great number of commanding officers; he showed what the cost of living of the native soldier really was, and that, after the payments for absolute necessities, and so on, there was, practically, you may say, nothing left. Then, going into the question of wages, as compared with the wages of the soldier, he said, "For these reasons I consider that two rupees a "month is what ought to be given in order to enable "us to get the class of recruits that we want."

14,466. (*Sir Ralph Knox.*) That is the point; there would be the difficulty?—Yes. That all comes to the Finance Department. The Finance Department would have the power of criticising that proposal in any way that they liked.

14,467. (*Chairman.*) By the Finance Department you mean the Finance Member?—The Financial Member in charge of the Finance Department, and his subordinates.

14,468. But would not you, as Military Member, discuss that with your Accountant-General?—Yes, certainly, and I did so.

14,469. You actually discussed it?—We actually discussed it.

14,470. And that was the point at which your military financial criticism came in?—Certainly; the military financial criticism. Our Accountant-General would tell us whether he agreed with those facts of the Commander-in-Chief. It would then go to the Finance Department, which would also have the power of criticism to any extent that it liked.

14,471. (*Sir Ralph Knox.*) There was some difficulty in obtaining the class of men that was wanted for the army, was there not?—No doubt there was.

14,472. The men were not coming forward freely for service?—Not the right class of men.

14,473. This was intended to be an inducement to draw the right class of men away from their civil occupations for service in the army?—Quite so.

14,474. (*Sir Andrew Scoble.*) Proposals for raising the pay of the sepoys had been in the air for a great many years before that time?—A very long time. My predecessor, Sir George Chesney, when he was leaving, left behind him a sort of valedictory minute in which this was one of the things that was very strongly advocated—the absolute necessity of it. The native soldier feeds himself, and there was really proof that the men were not even feeding themselves properly.

14,475. (*Sir Donald Stewart.*) For many years in my time the same had been a very pressing question?—For very many years.

14,476. (*Chairman.*) Next will you give us the relations of the Military Member to the Finance Department?—They are entirely regulated by the Rules of Business. I do not know whether the Commission have a copy of what are called the Rules of Business in India. They are rules which every member of Council is constantly referring to, he must have them on his table and refer to them; and I think it would be well that you should have them. They lay down rules very definitely and very clearly for the Military Department, what it can sanction itself without going to the Finance Department, and what it must go to the Finance Department about before it can sanction, in the way of expenditure. It can sanction no increase of salary—I am stating roughly some points in the rules—it cannot transfer money from one vote to another, it cannot do anything which would cause a recurring expenditure, without going to the Finance Department. Well, then, a question having been brought before the Military Member; it may be referred by him to the Finance Department in the shape of asking their concurrence. This is practically the only form in which it ever goes forward, because, if he objects to the proposal, or does not agree with it, he does not send it to the Finance Department but he may send forward the original proposal, or a modified proposal, to the Finance Department and invite their concurrence, and then the Finance Department can either agree to that proposal or can decline to agree, but cannot negative it and say it shall not be. It can simply decline to agree. Then in that case it comes back to the member of Council in charge of the Military Department, and he can either accept the view of the Finance Department if he chooses, or he can argue it out still further with them, or he can go to the Viceroy and he can say: "I cannot accept this view of the Finance Depart- "ment, and I would ask your Excellency to bring "this before Council." And then the matter would come before Council. There have been plenty of cases in which I have taken all those different courses, and sometimes I would go to the Commander-in-Chief and I would say to him—this I should do unofficially—"I have asked the Finance Department for this; they "will not give it; I do not think the case is strong "enough for me to take it up to Council and support "it. I think their arguments are good; and I propose "to drop it." The Commander-in-Chief would say "Yes." He would always take your view in a matter of that sort.

14,477. Those Rules of Business are issued by the Council, are they not?—They are issued by the Council; it is in the Home Department that the Rules of Business are drawn up.

14,478. (*Mr. Buchanan.*) On the other hand, I suppose, there are cases in which you press forward your proposals?—There are cases; but of late years, especially, they are very rare. Indeed, the Military Member of Council would now seldom think of going to Council against the Financial Member, because the Finance Department got to understand that we did not put forward proposals, unless they were really well weighed proposals for things that were necessary, and we had got to understand that the Finance Department would not refuse such proposals unless it really was the case that they could not give us the money.

14,479. (*Chairman.*) Now, would you tell us the relations of the Military Member to the Viceroy?—The Military Member of Council, like every other member of Council, has free access to the Viceroy officially, or by demi-official letter, or personally and verbally at, practically you may say, any time, and he can ask the

Viceroy, and frequently does ask the Viceroy to discuss a question in which there is any dispute, and on which opinions differ, with himself and any other member of Council, or with himself and the Commander-in-Chief. For instance, on questions that were put forward by the Commander-in-Chief with which I could not quite agree—not financial questions, but questions it might be relating to appointments or matters of that sort, or questions of policy with which I could not agree—I would ask the Viceroy to see the Commander-in-Chief and myself after Council, and discuss these matters; and in that way we two, the Commander-in-Chief and myself, met and brought our views before an independent arbitrator of the highest position, as it were, and the result of that interview might be that we would arrive at an agreement, that one or other of us would give way, or that we would arrive at a compromise, or that one or other of us would say, "Well, I "should like the matter thrashed out in Council," and the Viceroy might himself say, "I think this is a "matter which ought to go before Council." But the Viceroy is always there as a sort of friendly impartial arbitrator between any two members of Council, or between, for instance, the Military Member and the Commander-in-Chief; and I do not think that it is possible to over-estimate the value of that position. In the same way I have had difficulties with the Finance Member—in old times, none lately—and then I would ask the Viceroy to discuss the matter with the Finance Member and myself after Council in the same way. "After Council" is a sort of technical expression. Council meets once a week, and any member who wishes to speak to the Viceroy, generally speaks to him after Council with papers; as that is the most convenient time for this sort of discussion.

14,480. (*Sir Donald Stewart.*) But the Governor-General has the power of settling a question of that kind himself without the interference of Council?—He has not the power, I think, Sir Donald, if a member of Council wishes it taken up to Council. I have never heard of a case of the Viceroy declining to bring a matter up into Council if any member asked that it should be brought up in Council; and certainly, supposing there had been a matter in which I felt very strongly—we will say that a proposal put forward by the Commander-in-Chief was not justified under the circumstances, or that the refusal of the Finance Department to give me something was not justified under the circumstances, whichever way it might be—after I had discussed it with the Viceroy, and heard all the Viceroy had to say, and seen that the Viceroy was inclined to lean against me, if I still felt very strongly that my case was right, in that case I should say, "Well, my lord, I think I must ask you to allow "that case to come up and be discussed in Council," and the Viceroy would do so.

14,481. He would have the power of deciding the matter himself, if he chose, I think?—Yes, but I do not think a Viceroy would ever refuse to refer to Council.

14,482. (*Mr. Courtney.*) That has happened in your experience? That is, you have carried the matter to the Viceroy in an official or semi-official manner, and, finding him rather inclined against you, you have said, "Your Excellency, I must ask you to put it before Council?"—Well, I should not like it to be thought that there had been a sort of official appeal from me against the Viceroy. In the course of discussion I would say, "I think, your Excellency, that it would be "better that this question should be discussed in "Council," and then the Viceroy would say, "Yes." That has happened.

14,483. But you would say that, feeling, probably, that the movement of his mind was against you?—I probably should. Yes; or I think I should say it even if the Viceroy was with me, if the other man with whom I was not agreeing, had a very strong view against mine; then I should wish the case to go to Council to be settled rather than have it settled only by the Viceroy.

14,484. (*Sir Ralph Knox.*) In a case in which you and the Commander-in-Chief were in agreement, but in which the Finance Member of Council differed, is it your experience that, when carried to Council, the view of the Military Member and that of the Commander-in-Chief would prevail against the Finance Member?—Every case would be dealt with by every member of Council absolutely upon its own merits, simply and solely. There is no doubt whatever about that; every case would be discussed and argued out by seven practical men sitting there round the table, and would be dealt with on its own merits.

14,485. (*Sir Andrew Scoble.*) Are there any parties in Council?—There are no such things as parties in Council.

14,486. Did you ever hear of such a thing as a party in Council?—I have seen two men, perhaps, rather band themselves together for some one particular thing, but not a party; oh, dear no. There is no such thing as parties in Council.

14,487. (*Sir Ralph Knox.*) I am thinking of such a case as a military demand in regard to which the Commander-in-Chief and the Military Member of Council are in agreement, and the Finance Member of Council in disagreement?—Yes; I may say that it is extraordinarily rare for such cases to come up into Council. Where the Finance Department has not been converted by argument to think a thing right, it is very rare that the Military Member would take it into Council; but if he did, then it would come up, every member of Council having, before it was brought up in Council, had the whole of the notes on the case before him in print. Before any case comes up in Council, all the notes upon it are printed and are sent to every member of Council, and he reads them and studies them before he goes into Council, so that he has all the arguments on both sides before him before the case is discussed in Council.

14,488. But you think there are cases in which the Commander-in-Chief and the Military Member of Council are in agreement, while the Finance Member has a strong objection to them for financial reasons—perhaps, because there is no money?—I must take exception to cases in which the reason is that there is no money. If you omit that, all the rest of your question is right.

14,489. It is a strong financial reason?—It is a very strong financial reason, and such a case would never come into Council.

14,490 Then you think that in such a case as that the two Military Members would practically accept the decision of the Finance Member of Council, when there were such strong financial grounds as that urged against the proposal?—If it has ever reached the stage of coming up to Council, the Finance Department having objected to it, that can only be by virtue of the Military Member of Council having made up his mind that the Finance Department is wrong, and that he is right. Then, and then only, would he ask the Viceroy to bring the case up in Council. Therefore, it stands to reason that, the whole of the arguments having been before him, he would adhere to his view in Council, and the Finance Member would adhere to his, and the decision of the matter would then rest with their colleagues.

14,491. Including themselves?—Including themselves.

14,492. (*Chairman.*) I suppose what Sir Ralph Knox means is that in that case there are two military votes secured?—I cannot, in the whole of my experience of five years in India, remember a single question being carried in Council by the one voice of the Commander-in-Chief.

14,493. Has the Military Member of Council a power of dissent?—Certainly, every member of Council has a power of dissent; from any decision of Council you can have your dissent recorded.

14,494. Has the Military Member of Council any power or right of communication, or practice of communication, with the department of the Secretary of State at home?—I fancy the Secretary to Government in the Military Department is generally in communication with the Military Secretary here, demi-officially; I occasionally wrote home demi-official letters myself to General Newmarch, I think, once or twice, perhaps, to Sir Donald Stewart, and, after Lord George Hamilton came into office—I knew Lord George Hamilton personally—I had some correspondence with him; but I may state that I feel so very strongly the absolute necessity for the loyalty of every member of Council to the Viceroy and to his colleagues, that, in this purely private correspondence which I had with Lord George Hamilton, due to the fact of my having known him personally before he took office, I showed to the Viceroy all his letters to me and all my replies to him.

14,495. I have got here before me, the "Rules and Orders for the transaction of business," to which you, Sir Henry, have been calling our attention, and I see

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a heading; "II. The duties of Secretaries in executive departments," and it leads to Rule II.; "The chief "duty of a Secretary in an Executive Department is "to place every case before the Governor-General or "the Member in charge of his department in a complete "form ready for final decision." That looks as if the Secretary was entrusted with the discretion of choosing whether he should send the case to the Governor-General or to the Member?—Theoretically, he has, I believe, that discretion; but practically, he has not. All his business must be done through the Member of Council.

14,496. And Rule 7 says: "Papers of special "importance and urgency shall be sent by the Secretary "at once to the Governor-General, who will initiate "orders himself or send them for initiation by the "member of Council in whose division they fall, as he "may judge best"?—I should say that that rule was a dead letter. Then with regard to the relations between members of Council; a member of Council can ask the Viceroy to submit any question to Council, and when it comes before Council he can plead his own case in Council, and he is bound by the decision of the majority, subject to his power to record a dissent. As regards the practical working of these limitations, dealing first with the power of the Secretary of appealing to the Viceroy—well, it never comes to the Secretary appealing to the Viceroy if the member of Council has any tact. The Secretary would never appeal on trifling matters, and on any large matters the member of Council would himself submit the question to the Viceroy if he found that the Secretary was holding a very strong view in opposition to his. I have habitually done that when I found that Sir Edwin Collen's view was strongly different to mine. I have written on his note that I was very sorry that I could not agree with the Secretary; that I felt so and so, and so and so, but that, as the Secretary held such a strong view in the other direction, I thought it right to submit it to the Viceroy; and then the case would go to the Viceroy. There never was a single case in my five years of the Secretary appealing against my decision to the Viceroy. Then, as regards the order that members of Council cannot overrule the Provincial Governments without the approval of the Viceroy, that I believe to be carried out literally and in its integrity. The rules of business as regards the relations of the Military Department to the Finance Department are interpreted with the utmost strictness. The Accountant-General in the Military Department is really an officer of the Finance Department in the Military Department, and it is his business to prevent the Military Member making any mistake. If he, for instance, were going to sanction something which he has not got the power to sanction, the Accountant-General would say, "You cannot do this: this must go to the Finance Department," and the Military Member cannot overrule the Accountant-General in these matters. If he were to say, "I do not care. I am "going to do it," the Accountant-General would at once go to the Finance Department, and in that way the Military Member is kept absolutely within the lines that are laid down for him in connexion with those financial rules of business. I would only say that in all these matters I look upon the Accountant-General in the Military Department as the mainstay of the department. He is the most valuable man it is possible to imagine; he keeps you straight; he keeps you right; he keeps you within rules; he gives you sound advice on financial questions, and I myself relied immensely upon him during the time that I was in office.

14,497. I gather from what you have said that, in practice, every important question goes to the Accountant-General; but the regulations do not make it absolutely necessary that it should?—Quite so; because there is decentralisation. There are four Controllers, and every financial question comes up through one of these Controllers. Their report is on all matters of account as good as the Accountant-General's; but it may be that you want something a little more than that. It may be that you want advice on what you might call financial policy in the matter, and then you would go to the Accountant-General for something beyond what the Controller had given you.

14,498. My point is that, naturally speaking, the Military Member of Council would for his own better information consult the Accountant-General?—Yes.

14,492. But it is not absolutely necessary that he should do so?—Certainly not.

14,500. The Accountant-General might be ignorant of proposals that were made?—I used to consult the Accountant-General a great deal more, perhaps, than and previously been done; but the real fact of the matter is, he is a very heavily worked man, and it is not fair to go to him when you have got a good report from the Controller; you increase his work so enormously. Well, speaking of the relations of the Military and Financial Departments, I think I ought to say that those relations greatly depend, as has been said by other witnesses before this Commission, and particularly by Lord Cromer, on the personality of the individuals. I think, myself, that the Military Department will be good or bad in its financial working and that the question of the military expenditure will be very largely influenced, by the personalities of the Military Member of Council and the Financial Member of Council, and by the way in which they look at their own work. Now I may mention this: The first summer that I was in India, in 1891, I did not arrive till April, the beginning of the financial year. The Budget was passed, and there was the Budget before me, with which I had to deal. The Financial Member of Council, unofficially, one day offered me 35 lacs to spend on mobilisation, which were not included in the estimates. That was some four or five months after the beginning of the financial year. Now, I take that to have been due to the fact that the Financial Member found that he had underestimated his revenue; that he was getting more money in than he thought he would have; and he had this money to spare. Probably his balances were rolling in to rather a large extent, and he offered me these 35 lacs of rupees for mobilisation. Well, knowing that this money had been urgently asked for by my predecessor in office, that the Commander-in-Chief, in fact, every one, must be desirous that the army should be made fit and ready for war, which it could not be unless this money was spent, I gladly accepted those 35 lacs; and that enabled us to place the two first divisions of the army in a proper state of fitness. The next year, instead of the balances rolling in, the pendulum began to swing the other way; and the same Financial Member who had this year offered me spontaneously 35 lacs of rupees, about the same time of the year, about the summer, when our proposals for consideration for the estimates for the next year were sent in to him, took to returning them all without any criticism whatever, and simply saying, "There is no money"; and when my estimates came forward in the January or February following, he insisted, or endeavoured to insist, upon my cutting the military estimates down by 60 lacs of rupees. That is to say, in one year he offers me 35 lacs of rupees over and above the provision in the estimates: in the next year he says "You must "cut down your estimates by 60 lacs of rupees." Well, that was a case in which it was impossible for me to accept the Financial Member's view: I was unable, with the best will in the world, to cut down the estimates by 60 lacs of rupees, because it was not in my power to reduce the army; it is not even in the power of the Government of India to reduce the army by a single soldier without the authority of the Secretary of State; nor is it in the power of the Government of India to reduce their pay, to alter their pay or their allowances or their rations, or anything else, and there was only one way in which it could be done, namely, to buy 60 lacs less stores in the course of the year, which would have been a ruinous policy; and, therefore, I was unable to assent to this proposal of the Financial Member. That matter was brought up and debated in Council, and the Council decided that the money was to be granted to the Military Member, that he had asked for, although it meant budgeting for a deficit. The matter was discussed, the whole Council present, and that was the decision; and you have in your appendices here to this Commission's Report my minute, which was sent home to the Secretary of State, stating the reasons why I was unable to accept Sir David Barbour's proposal. Of course, there are many things one could say, but one cannot disclose Cabinet secrets—one cannot speak of details of what passed in Council.

14,501. (*Sir Ralph Knox.*) Did not the offer of the money made by the Finance Minister to meet the necessities of mobilisation show his willingness to meet the demand for such services as were, in his opinion, absolutely necessary; where he was convinced that the cause was a very good one and the money was available?—I should say, yes.

14,502. And does not the fact that, since that time, reductions to the extent of 60 lacs of rupees have been

effected through an overhauling of expenditure also show that he was not far wrong in proposing to have a reduction made in the military expenditure?—No, not at all. The Financial Member on the whole is perfectly right to insist, as Sir James Westland insisted, upon the closest and most minute investigation of all military expenditure, and to insist on himself being satisfied as to the necessity of everything that you are doing from day to day in the way of increase of expenditure; but he is not justified, in my opinion, in coming to you at the last moment, when he practically must know as well as you do that you cannot cut down estimates which have been made upon certain fixed data and conditions, and saying, "You must cut down "your estimates by half a million of money, or three or "four hundred thousand pounds."

14,503. (*Mr. Buchanan.*) Did he give you any assurance that these 35 lacs would be continued to you?—It was initial expenditure, not recurring expenditure.

14,504. Do you not think that, if he made a mistake at all, he probably made a mistake in allowing you to have the money to start with?—Pardon me, the 35 lacs were initial expenditure, not recurring expenditure; that is to say, expenditure which only relates to one year.

14,505. (*Chairman.*) Would it have made any difference, may I ask, in your mind, if the Finance Minister had stated that, if the military estimates were accepted in full, increase of taxation would have to be resorted to?—I think that all the members of Council, including the Military Member, are kept very well informed about the financial position of India; and that that question would enter into the mind of every one in dealing with a matter of that sort. Every member of Council would weigh in his own mind what was the most important thing on this occasion: Is this going to be a permanent deficit in front of us? Are we to look at it in a gloomy spirit? or is there reason to hope that it is only temporary, in which case we should certainly be inclined to run the risk of a deficit this year rather than do such a serious thing as to cut down, we will say, the strength of the army, or the reserve of stores, which have been over and over again carefully and deliberately considered, weighed, and approved of by the Governor-General in Council and the Secretary of State at home.

14,506. (*Mr. Mowbray.*) I understand that the Financial Member recorded a dissent on that occasion?—On that occasion the Financial Member recorded a dissent, and the Secretary of State approved the action of the Governor-General in Council.

14,507. And the Viceroy did not concur in the Financial Member's dissent?—He did not; the Viceroy supported me.

14,508. (*Sir Ralph Knox.*) It was during your tenure of office that one battalion, or the cadre of one battalion, of British infantry was reduced, was it not?—Yes, it was.

14,509. That suggestion or request came from the home Government, did it not?—Yes.

14,510. (*Chairman.*) That is the method in which expenditure could be reduced?—No further.

14,511. I say that is a method in which expenditure could be reduced?—You mean by reducing the number of the cadres?

14,512. No. By reducing the number of the Queen's troops in India. I am not dealing with the serious nature of the proposal, but I am only saying that it is a method in which expenditure could be reduced, I suppose?—I should be very sorry to see it done; I think most of the people living in India would.

14,513. (*Sir Donald Stewart.*) But the troops were not reduced in strength; the cadre merely would be reduced?—No, they were not reduced except by one cadre; 20 other men were added to every other battalion.

14,514. (*Sir Ralph Knox.*) That was an economical arrangement, was it not?—Yes; but the reduction of cadres could not be carried further. Might I speak of the power of appeal of the Commander-in-Chief? During my five years in India there was only one case of appeal by the Commander-in-Chief against any act or decision of mine; and in that case the Commander-in-Chief considered that I had gone beyond the terms of an Order of Council, and that in stopping certain expenditure I was acting *ultra vires*—beyond what the Council had permitted me to do. He sent for the notes on the case and wrote a note asking that this matter might be brought up in Council. That came up through me. I noted my views on it, and stated that I believed I was carrying out the spirit of the Order in Council, and I asked for the support of my colleagues. The case came up for discussion in Council, and unanimously the Council supported me, and the Commander-in-Chief was left in a minority of one.

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14,515. (*Sir Donald Stewart.*) But were not the orders, against which the Commander-in-Chief appealed, issued in the name of the Governor-General in Council?—Certainly they were. Yes.

14,516. (*Mr. Courtney.*) It was a question of your having gone beyond its intention in the execution of an order, I understand?—Yes it was. We were considering in every direction where we could stop expenditure. There was one certain class of work—I wish to be careful in what I say—upon which I thought that work might be stopped, and with advantage stopped, and the Commander-in-Chief did not agree; it was brought up in Council, and the Council agreed that the work should be stopped. I thereupon issued orders to stop the work at a certain stage. The Commander-in-Chief considered that I had gone beyond what the Council had ordered, and he appealed, and, in the result, as I say, the Council unanimously supported me, and my decision held good. And that is the only case which I have known of that sort. It was a case, I am bound to say, in which the Commander-in-Chief felt very strongly, and I was not able to support his policy. As a rule, the Military Member, if the Commander-in-Chief makes a proposal which he, for one reason or another, does not think he can support, either because he does not agree with the policy of it, or because he thinks it is an undue expenditure to make, or because he knows there is not much money available, would see the Commander-in-Chief, and would explain to him. He would say, "I am "afraid I cannot support that proposal, and under "these circumstances do you wish to press it?" The Commander-in-Chief knows perfectly well that it is practically hopeless to come forward with a proposal for expenditure to the Council if he is not supported by the Military Member, and he would withdraw it in 99 cases out of 100. If it was something that he did feel very strongly about, he would say, "Well, yes, I "am afraid I must press it." Then the Military Member would write upon the proposal his reasons for not concurring in the proposal, and he would send it on to the Finance Department, saying "I put forward "this proposal of the Commander-in-Chief's, but I "have told the Commander-in-Chief that I cannot "concur in it, and these are my reasons for not con-"curring in it. What do you say?" Well, of course, it is needless to say the Finance Department would not concur with the Commander-in-Chief, and then it would come back. Then, if the Military Member of Council chooses, having got the concurrence of the Financial Member, he might send an official letter to the Commander-in-Chief, and say: "Your proposal is not accepted;" but out of courtesy, and considering the very high position of the Commander-in-Chief, he would send the case forward to the Viceroy, and would say: "Your Excellency will see that the Finance "Department and the Military Department are agreed "in considering that this proposal ought not to be "accepted; do you concur?" The Viceroy would put his initial or say, "I concur," and then the official letter would go to the Commander-in-Chief saying that the proposal was rejected.

14,517. (*Sir Ralph Knox.*) Do such cases often occur?—Oh, they do occur; but they are pushed to that official point very rarely indeed, because one settles these things with the Commander-in-Chief out of court, nearly always.

14,518. They would be all comparatively small points, I suppose?—They might be biggish points, or small points—points of all sizes. The Commander-in-Chief might say, "Well, I should like it to go on because "I should like to have it on record. Even if you "refuse it officially, yet I should like to let it be "on record, as I mean to bring it up again next year." Then, in the most amicable way in the world, he would know that you were not able to support him, and that the Finance Department were not likely to support him, and he would know that the Viceroy would go with you and the Finance Department.

14,519. But the Council would then be informed of the progress of the business?—In that case it would not go before the Council; it would simply be the

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Military Department, the Finance Department, and the Viceroy. That constitutes the Governor-General in Council for any particular question.

14,520. (*Mr. Mowbray.*) That is official?—Oh, yes, official.

14,521. (*Sir Ralph Knox.*) But I think you said there might be a case of appeal by the Commander-in-Chief apart from that?—I did not mean carrying it to Council against the decision of the Government. I meant this: the Commander-in-Chief has put forward officially to the Military Department a proposal for expenditure I go to the Commander in-Chief. and I say, "I am sorry "to say that I cannot support that proposal. I do not "like the policy of it," or, "I think it would cost "more money than it is worth." Or, "considering "what other things I have before me, and the demands "on me, I do not think I can press for this simply on "that ground, and I propose to tell you that we cannot "accept it. Do you wish to press it under these con- "ditions, because, if so, I will send it forward to the "Finance Department?" The Commander-in-Chief would either say, "Oh, no;" or he might say, "Well, "I should like to have it on record," and then one would send it to the Finance Department, and they, of course, would agree in rejecting it, and then to the Viceroy, who would agree with the Military Member and the Finance Department; and so the thing would go on, unless, which is possible, the Commander-in-Chief may have spoken to the Viceroy, and the Viceroy may say, "Well, it is a very important matter; I "will circulate it for Council." In that case it would come up before Council; but not in the shape of an appeal from the Commander-in-Chief, but from the Viceroy on his own initiative. That case, however, would be very rare. If the Military Department and the Finance Department were agreed upon a question, the Viceroy, would, practically, almost always support them.

14,522. (*Chairman.*) If the Military Member and the Commander-in-Chief agree?—If the Military Member and the Finance Department agree.

14,523. (*Sir Ralph Knox.*) But it is equally the case that, if the Military Member and the Commander-in-Chief agree, the Viceroy will probably support them?—Oh, I do not think that follows. On what might be called a purely military question, yes; but not on a question where military and financial considerations are mixed. The Viceroy, just like every other member of the Council, would weigh the financial conditions as against the military needs, or the military demands.

14,524. (*Chairman*). I see in these Rules of Business, No. XXII.: "If the Governor-General concur with the "initiating member's orders, his Excellency will deter- "mine whether and when the subject shall be brought "before Council; and also whether the papers shall be "circulated before action is taken upon them; and, if so, "whether they shall be circulated to all, or some "members of the Council." Does that mean that, if the Viceroy pleases, he forbids the subject to be brought before the Council?—I do not think it can be quite read in that way. What I really think it does mean is this: any member of the Council who is head of a department sends a proposal up to the Viceroy. If he thinks the matter is of great importance, so great importance that it ought to be known by every member of the Council, and ought even to be debated in Council, then the Viceroy would say, "I think this should be "discussed in Council. Circulate and Council on "Friday." On the other hand, in nine cases out of ten, he would say, "I concur," simply, and initial it.

14,525. But might there not be cases in which, if a member of the Council wished a subject to go before the Council, the Viceroy might say, "I do not think "this is a subject that should go before the Council"?—I have never heard of such a case. I cannot think that the Viceroy would ever take that course.

14,526. But it looks as if he had the power under that rule?—It says, "Whether and when" it shall be discussed.

14,527. (*Mr. Buchanan.*) "Whether"; you must get his consent?—I think that the meaning of that is rather that the Viceroy will say whether it is necessary to send the note before the Council; but I never heard of the Viceroy refusing a member of Council.

14,528. But then, technically, you must get his consent?—No one can bring anything up in Council except the Viceroy.

14,529. (*Chairman.*) How do those relations of the Military Member of Council with the Finance Member of Council, the Viceroy, and the Commander-in-Chief work in practice, as regards his independence as a critic of military expenditure?—Well, I hold myself that the Military Member of Council, if he has got any grit in him at all, is a thoroughly independent critic of military expenditure.

14,530. And those relations, of which we have been speaking, in no way trammel him?—No, I do not think they do in any way whatever.

14,531. And further, as regards his ability to obtain what is necessary for the army?—Well, I think that there again, my experience of the Finance Department is that they recognise thoroughly the necessity of having the army in India in an efficient state, and the strength of the army in India is not in the hands either of the Military Department or of the Finance Department. It is a great Imperial question. It is discussed from time to time here, it is revised here; it is settled in the Secretary of State's office here; and having got an army, the strength of which has been decided by the State, that is by the Government of India and Her Majesty's Government here, the Finance Department generally recognises the necessity of having that army efficient and fit for war, and does not grudge or refuse the money that is necessary for that purpose.

14,532. To what extent is military expenditure affected by acts beyond the control of the Military Member, such as the general policy of the Government at home or in India?—Military expenditure, of course, is largely affected by acts beyond the control of the Military Member. For instance, all frontier expeditions (either punitive expeditions or occupations of new territory), increases of the army to meet great new conditions, such as that which took place after 1885—those are really the main matters which affect military expenditure, and are not within the control of the Military Member of Council. And I should like to say that, of course, the Military Member in these matters has only the same voice as any other member of Council. No frontier expedition, no punitive expedition, no occupation of new territory, no increase of the army would be undertaken until it had been very carefully debated in the Council of the Governor-General, and until it had been approved by the Secretary of State in Council at home.

14,533. But those decisions are resolved upon on considerations of policy, quite apart from questions of purely military organisation?—Certainly.

14,534. Whereas, therefore, in regard to questions of military organisation, the Military Member is, to a great extent, master of the field, where questions of policy come in, he is only one member of the Council?—He is only one member of the Council; and, I may say—and I shall be glad of the opportunity of saying—that my experience is that the influence of the Military Member of Council is, as a rule, exercised against these expeditions, unless their necessity is proved to him to be absolute. They upset his Budget provisions, and they are most inconvenient to him in every way, and I may say that, in my own case, the Viceroy more than once acknowledged the efforts which I had made to keep these expeditions down; and in more than one case my influence was brought to bear with sufficient strength to overrule the desire of the Provincial Government, from whom nearly all of these smaller expeditions emanate, and to prevent expeditions which had been advocated by the Punjab Government, and by the Government of Burma, being carried out.

14,535. Then, might I say, as the result of what you have just now been telling us, that the influence of the Military Member has a tendency rather to curb such expenditure?—Such extraneous military expenditure, certainly. Before any such expedition is decided on it is the duty of the Military Member of Council to set fully before the Council the immediate cost and the ultimate probable effect of any such proposal; and the Military Member's policy, I should say, is always towards great caution in those directions. And I would like to say also that my experience has been, especially of late years, that the Commander-in-Chief is also extremely cautious as regards such expeditions. In his case they upset the dispositions of the troops, they cause him anxiety, they cause money to be spent for which there is, practically, no return so far as he is concerned, money which he would much rather have for measures which would increase the efficiency of his army, and

they upset his mobilisation arrangements and cause a great amount of trouble at head-quarters; and also, because the Commander-in-Chief is generally a man of statesman-like views, he is very much disposed to object to small expeditions, unless he is satisfied of the absolute necessity for them.

14,536. Perhaps this may be travelling a little beyond our exact question, but, I suppose, on the other hand it may be said that the feeling of the army would be in favour of such expeditions?—Oh, every soldier wants to get a chance of fighting; but you must remember, please, that neither the Commander-in-Chief nor the Military Member go out and fight in these expeditions.

14,537. (*Mr. Courtney.*) And they would gain no advantage?—No advantage whatever from them, and very great disadvantage.

14,538. Would you say that their hands are sometimes forced by the local officers?—I do not think it would be quite fair to say that their hands are forced. The Provincial Government will sometimes put forward proposals for, let us say, a punitive expedition—those expeditions to which I myself have the greatest possible objection — what we rather know as the "butcher and bolt" policy—and the Provincial Government may be very keen. There have been raids, and somebody has been murdered, and so on. Well, the whole tendency certainly of the Military Member and of the Commander-in-Chief, and, I think, as a rule, of most members of the Council, is to object to these expeditions.

14,539. Looking back upon the past, could you not indicate a period during which punitive expeditions were repressed and prevented, and another period in which apparently they were easily favoured?—I think that most of these punitive expeditions, until quite recent years, were on the frontier of the Punjab, and I must say that I think that the policy of the Punjab Government—this is my personal opinion—in these respects has not, as a rule, been the wisest policy. My opinion is that this going into a country and burning a lot of villages and killing a lot of people and then going away again does extremely little good. They had a system of instituting fines—the people are fined, and they do not pay their fines, and then these fines accumulate; then, finally, there is a request for an expedition to recover those fines. Well, you recover 30,000 or 40,000 rupees, and you spend 300,000 or 400,000 in doing it; and I think that the tendency now of the Government of India generally is very strongly against these punitive expeditions, and is more or less to let these people alone until, it may be, things have absolutely reached such a pitch that you must go in once for all; and going in they do not come back.

14,540. Might you not say that there is always a possibility of making up a case for an expedition if you want it?—You can always make up a case for an expedition; but you cannot always make up a case that the Government of India will accept as a good case.

14,541. I was going to proceed to that—there being always a possibility of making up a case if it were wanted, looking back, say, 30 years, might you select a period in which the cases were easily entertained and carried through, and other periods during which they were kept under control and not carried through?—I am afraid I have never examined it from that point of view at all. I am afraid I cannot answer that.

14,542. You could not say that a bunch of expeditions have followed one another very rapidly in one period?—There was a great bunch of expeditions I should say in, or about, 1890-91 and for the next two or three years; and then, of course quite recently there were two great expeditions—Waziristan and Chitral—but I do not know that you can exactly classify them in that way. Even if you could, I should rather be inclined to think that the excessive number of expeditions at any time was due more or less to things having come to a head, as it were, with the tribes along the frontier.

14,543. That shooting stars appear at one particular season, is due to natural causes?—Yes, I should say the coincidence would be due to the tribes having gradually worked up to a certain state.

14,544. Not to the fact that expeditions are more encouraged at headquarters under one Viceroy than under another?—I do not think so.

14,545. (*Chairman.*) One is struck, looking at the list of expeditions, with the fact that there was a period in which the Budget was singularly free from them, between 1875 and, we will say, 1884-85?—Then you see that in 1885 all their minds were kept excited. It is quite possible there may have been more trouble with the tribes in 1885.

14,546-9. (*Mr. Buchanan.*) From what you have now stated, you would acknowledge that the responsibility for the expenditure on these expeditions rests mainly, and almost exclusively, with the Government of India?—The responsibility for it rests primarily, I should say, with the Government of India. The Government of India do not carry out any expedition of the sort without the approval of the Secretary of State.

14,550. Quite so, but in regard to any small expedition, if the Government of India recommended it, the Secretary of State would not oppose?—I should think, as a rule, the Secretary of State would follow the advice of the Government of India.

14,551. So that we might be justified, from the financial point of view, in assuming that any large increase in military expenditure due to these punitive and frontier expeditions is expenditure for which the Government of India is mainly responsible?—I should say so.

14,552-3. (*Chairman.*) Would the Government of India consult the Secretary of State in regard to such headings as those which come under "Smaller Expeditions," &c., in Sir D. Macfarlane's return?—Smaller expeditions, viz., Quetta, Hazara, &c.? Yes. In every one of these the home Government would be consulted.

14,554. The next heading you will see is "Minor Operations"?—Oh, that is a trifling sum—it is 2,643*l.*

14,555. If you carry your eye along you will see sums of 56,000*l.*, 48,000*l.*, and 168,000*l.*?—Yes, I see.

14,556. Now about those minor operations, would the Secretary of State be consulted?—Well, I should not think, in regard to any operation which only cost 26,000 rupees, that the Secretary of State would have been consulted.

14,557. But then if you look further on there are bigger sums?—Yes; when you get to 56,000 Rx.—the return does not tell us what it is, but I think in all probability anything that would be likely to cost as much as 5 lakhs the Secretary of State would have been consulted about —certainly.

14,558. I gather from what you told us just now about the Commander-in-Chief that on the whole his presence as a member of Council is by no means invariably on the side of expenditure?—I think not. Though possibly the Military Member may sometimes think that he could check expenditure better if the Commander-in-Chief was not there, I think that on the whole the presence in Council of the Commander-in-Chief is most desirable. I think that we must bear in mind how very important military efficiency is under the peculiar circumstances of India, and it is most desirable that the Commander-in-Chief in India, who is responsible for the efficiency of that great army of 220,000 or 230,000 men, should be present, and should be able to give his opinion and his advice in the Council. I must say further, that I think the Commander-in-Chief very often gives most valuable opinions upon other matters, quite apart from purely military matters. It would be difficult to find, from my experience of my colleagues in Council during the last three years, a man whose advice on general questions of administration in India was sounder or better than Sir George White's has been, and I am quite sure that is the Viceroy's opinion, too. And, of course, there is an opinion in this country, which does not prevail to the same extent in other countries, that a soldier, because he is a soldier, is not a good man of business, and that his opinion is not worth much outside the line of military matters. But now take finance. One of the best Financial Members they ever had in India was a soldier, Lord Cromer; and reading comparatively recently on a matter with which I think Mr. Courtney is familiar, the currency question in India —reading, at the time that we had all these great difficulties about our currency, the old minutes on the subject, I doubt where you would anywhere find sounder or better advice on the subject, than that given by Sir William Mansfield, the Commander-in-Chief in India, afterwards Lord Sandhurst.

14,559. I remember the very great weight and value that was attached by the Chancellor of the Exchequer

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and his assistants in the Treasury to Sir William Mansfield's opinions upon that question?—Yes.

14,560. But, of course, there are other great sources of expense in India which fall upon the Indian Budget over which the Military Member has no effective control—I mean changes in the organisation of the army at home?—Yes.

14,561. I should like very much to hear from you an opinion on that point?—Well, there is no doubt that changes and improvements in the British Army do cast expense upon the Government of India. Theoretically, India need not accept, need not apply in India these additions of pay, these improvements in the position of the soldier, which are made at home; but in practice she must do so. I think that that has been brought out pretty fully in some of these despatches which are in the Appendix. The Secretary of State pointed out to us in India that Parliament has secured to the Secretary of State the right of deciding whether any pay or other privileges, sanctioned for the army generally, shall or shall not be allowed in India; and at the same time he admitted that, speaking generally, the pay and organisation of the army must be made applicable to India as to the Colonies. The Government of India, replying to that, said, "You inform us "that you admit that, speaking generally and with a "reservation in particular cases, the pay and organisa- "tion of the army must be applicable to India as to "the Colonies, inasmuch as we feel obliged to con- "cur,"—they then go on to give certain examples, and they say that "our Military Budget estimates are "framed here with the utmost possible accuracy; in "ordinary years no margin is left, out of which to "provide for extra expenditure, full establishments are "not estimated for, as deduction is made for the "average number short of strength. When, there- "fore, the War Office suddenly spring upon us an "order, the carrying out of which would involve "increased expenditure, we have, as a rule, to carry "out one of two courses—either to defer, if it be "possible, the expenditure until provision can be made "in the estimates of the following year, or to obtain a "fresh grant. The former course, in the case of con- "cessions to the troops, causes great discontent. Of "this, delay in the introduction of the Garrison "Artillery scheme in India is an example. The two "last items in our list 'Excess of British troops in "'India caused by home authorities sending out "'larger drafts of men than the Government of "'India asked for,' and 'Changes made by the "'War Office in the British Cavalry Relief Pro- "'gramme,' are examples of the latter course being "necessary. The excess of 1,500 British troops, due "to the War Office having sent out that number beyond "our demands, has led to expenditure of Rs. 70,000 a "month beyond that provided for in our estimates "under this head." I do not for one single moment claim that India is to decide whether these improvements and changes are to be made in the British army or not; they must be made in order to keep the army up to a proper standard; that is done here at home; but India has to accept them and she has to pay additional charges for changes that are made from home without her being consulted, and which, in many cases, are sprung upon her when she has not made provision for them in her estimates. I am sorry Sir Ralph Knox is not here, because I should have liked to have asked him to pay attention, at all events, to this fifth and last paragraph of that despatch of the Government of India which says, "We would ask that, when it is intended by the "War Office to make concessions to troops, or other "alterations which would involve expenditure in India, "these concessions or alterations should not take effect "till the 1st of April following the decision to introduce "them, and that we should be informed that such con- "cessions or alterations are intended to be made in "sufficient time to enable us to make provision in the "estimate. The existing system interferes with the "correctness of our estimates, and at a time of financial "pressure, such as the present, causes serious incon- "venience to the Government."

14,562. I gather then that you would hold that the large part of the Indian force, which consists of the Queen's regiments, when it goes out to India must go out with the conditions and privileges of service which it has at home?—I hold that most distinctly.

14,563. And may I ask further, whether, India being in this matter a partner in the use of the Queen's troops, you would hold that she should bear her fair share of the cost of those changes, which are made in order to improve the organisation of the army?—I do not suppose you want to raise at this stage the whole question of the apportionment of charges, do you, my lord?

14,564. No; that we shall have the opportunity of speaking about afterwards?—The view I hold is this: every officer and soldier in the British army serves under certain warrants which lay down what his pay and allowances are, and I conceive that he ought under no circumstances whatever, to get less than the pay and allowances thus prescribed, because he is serving in India.

14,565. I should like to ask you one further question upon that point. What would be your view with regard to such a question as the abolition of purchase? I think we should all be agreed that, when purchase was abolished, no charge on account of the immediate abolition of purchase was put upon India; but no doubt the change has led to an increased system of pensions to officers. Would you consider that India should bear her share of those increased pensions, which are a condition inherent in, and inseparable from, the reform which has been effected?—If this matter of expenditure as between India and England is to be dealt with as a strict matter of account, I should say that India must pay her share of the cost of the British officer under whatever conditions he is serving, whether it is under a non-purchase system or under a purchase system.

14,566-7. I propose, Sir Henry, to put a question to you in a form which will enable you to express your opinion upon the general question of apportionment between the two Governments of charges in which both are interested. I will take first the India Office reasons, which they have put before this Commission, on which they base their plea that general considerations should be taken into account in fixing the rate to be paid for the home charges of troops serving in India; and the reply of the War Office in a memorandum of Sir Ralph Knox. I think that would be a convenient method in which to elicit from you your opinion upon those general considerations, apart from the mere arithmetical calculations. You said just now that, if mere arithmetical grounds are to be taken into consideration alone, you do not see why India should not bear the charge for the increased pensions consequent upon the abolition of purchase. I gather from that that perhaps you might wish to make some modification of that opinion on general grounds?—Quite so.

14,568. You mentioned just now the question of new charges being sprung upon the Government of India. Do you think that sufficient care is not taken to let the Indian Government express an opinion upon such changes before they are finally adopted?—Well, I should think it desirable that the Indian Government should be consulted, even if it were only as a matter of courtesy, before steps are taken which add to its expenditure; but I do not think that previous consultation with the Indian Government would have much practical value. I think it ought to be done, as I say, as a matter of courtesy. I do not think it would have very much practical value, because, I think, if they have made up their minds at home that a thing has got to be done, and that if it is not done the army will deteriorate, they would decide to do it whatever India might say. But to suddenly inform the Government of India in the middle of the year, that, say, from the first of May or the first of June, or whatever it is, such and such increases of pay are going to be given in the army, when the Indian Government has made no preparation for such increase in its estimates at all, and, therefore, to force it during that year, either to keep these troops in India on a lower rate of pay than they are getting at home, or to spend money which it has not put into its estimates, is, I think, wrong; and I think that what we said in that despatch is the right course to be followed. And one thing which we mentioned in that despatch —I may say that I drafted that despatch myself— which I most particularly think was a wrong thing to do, was this:—for any number of years, the drafts sent out to complete the Indian establishments had been sent out upon one particular system. That system was this: The Commander-in-Chief in India informed the War Office what numbers of drafts would be required during the coming trooping season for each unit of the army to complete that regiment to its full Indian establishment on the 1st April of the ensuing financial year—the first day of the

ensuing financial year. The estimates of the Indian Government are based for pay of troops—of British troops—upon the establishment *minus* the average deduction for numbers short over the previous three years. In the year preceding that in which this despatch was written, without one single word of warning to the Government of India, without any single word of previous advice to them officially or semi-officially, or in any way, the War Office suddenly changed that system. Off their own bat, without asking the authorities in India what they thought about it, they sent out very much larger numbers of drafts than had been asked for by the Commander-in-Chief and the Government of India, taking it upon themselves to decide that the Government of India is not in future to have its full establishment of troops on the 1st of April with the gradual decrease down to the trooping season in October, when it begins to fill again; but that it is to have such a number of troops in India on the 1st of April as will make it have its normal establishment about the 1st October. What was the result of that? They sent us out all these extra troops, and thus not only did they compel us to spend, as I have said in the despatch, 70,000 rupees a month additional for pay which was not included in our estimates, but to overcrowd our barracks; and they caused the greatest inconvenience to the military authorities. Now that was done without one word of consultation or one word of warning to the Government of India.

14,569. And without one word of explanation?—Without one word of explanation. We could not understand why all these troops had come out.

14,570. And did you learn afterwards what was the reason?—We wrote home about it, and we learnt afterwards what had happened.

14,571. And were the reasons of the Government at home such as would have appeared reasonable to you?—Certainly not. When the despatch came out stating what had happened in that case, I, of course, as representing the Government of India in the Military Department, was strongly opposed to this new system, because it added to our estimates, and we did not want the extra men. Of course, if the Commander-in-Chief had wanted more soldiers, he would have said, "Oh, yes, "I want to have all these men;" but that is not at all what the Commander-in-Chief said when we referred to him. The Commander-in-Chief said, "We object "strongly to this change of system. Barracks are "built for a certain number of men; they send me out "all these extra men: it overcrowds my barracks and "produces unhealthy conditions of the troops, and I do "not want these men." And we sent home a protest begging that they would revert to the old system. I do not know what has been done since I left India.

14,572. But did the War Office give any reasons for their action afterwards?—Simply the reason that they thought it better that the numbers sent out should be such as to make the average throughout the year the normal establishment, instead of, as had hitherto always been the case, the establishment being normal on the 1st April, dropping down to the 1st of October, and then rising up again to the normal on the 31st March.

14,573. And that you say, I presume, is a matter on which the Indian Government should be the ultimate judge?—Most unhesitatingly. I do not consider that to be a matter for the home Government at all. It is a matter for the Indian Government to say what troops it wants to keep up the establishments.

14,574. That is against the evidence that has been given to us by the military authorities at home, to the effect that great care is always taken, admitting that there may have been slips, to consult and warn the Indian Government upon these questions. It is very true that there has been some difference of opinion expressed on that point. Some of the Indian witnesses were not content to regard the mere reference by the War Office to the India Office as a sufficient consultation of the Government of India; but I do not think that that contention is sustained. I think it is admitted that, if the India Office is consulted, it is a consultation of the Government of India; but in this case that you bring forward, it seems to me that a very serious cause of expense to India was sprung upon India without her being consulted?—I most distinctly hold so in that case.

14,575. You do not happen to know whether the India Office itself was consulted in that case, and whether by any chance the omission to warn the Government of India lay with the India Office?—I do not really know. Sir Donald Stewart would be very likely to know, but there was nothing to show that the Secretary of State for India was consulted.

14,576. (*Sir Donald Stewart.*) No; I do not think so?—There is a great disadvantage in doing things of that sort. I am not an Indian officer. I am not dependent on the Government of India in any way. I am an officer of the British Army; and my whole desire and my whole wish when I went out to India as Military Member of Council, the first Queen's officer who ever had been Military Member of Council in India, was to have the most friendly relations possible with the War Office at home; but things of that sort cause irritation and bad feeling to spring up; a little forethought, I think, would prevent much feeling which exists, and which it is desirable to allay.

14,577. (*Mr. Buchanan.*) That case is the item included in the schedule to that despatch; 70,000 rupees per mensem?—70,000 rupees a month.

14,578. (*Mr. Mowbray.*) Does that system still continue?—I do not know; it was continuous, certainly, for two years.

14,579. 1894–95?—Yes.

14,580. (*Mr. Buchanan.*) There is a schedule attached to the despatch of 1895, in which is included the charge, to which you have just alluded. It is stated in the heading of this schedule that the charges have been "issued in all cases without the concurrence of "the Government of India, and in some cases without "that of the Secretary of State for India having "been previously obtained." I suppose that, as you were responsible for that despatch, we may assume that you are responsible for that first statement, and that you made yourself certain that the Government of India, at any rate, had not given its concurrence?—I cannot say that I made myself personally certain. I ordered a schedule to be drawn up in the Military Department, giving that heading, and it was drawn up by the responsible persons in the Military Department, and, therefore, I feel sure that it is correct.

14,581. Some question has been raised upon that subject; but, so far as your efforts went, it was meant to be an accurate statement?—An accurate statement under that heading. I have every reason to believe it is so.

14,582–6. (*Mr. Mowbray.*) You will see that in the Appendix that despatch is followed by a despatch of Sir Henry Fowler, as Secretary of State for India, in which he does not take the same view of the question as the Government of India did on that particular point?—Yes, and it was in answer to that despatch that we replied—our reply does not appear to be here—in a separate despatch sent in afterwards, relating to this particular question of the sending out of those excess numbers of troops. I feel perfectly certain there was such a despatch, because I remember the matter being referred to the Commander-in-Chief, and the Commander-in-Chief expressing his strong disapproval of this new system; and, therefore, we again wrote home about it.

14,587. The despatch of the Indian Government of August 20th, 1895, is not the despatch to which you refer? It merely requests that all the correspondence should be laid before the Royal Commission?—No, that is not it.

14,588. (*Chairman.*) At the same time we must take note of the fact that the Secretary of State for India did not entirely concur with the Indian Government upon these points?—It appears that he did not.

14,589. (*Mr. Buchanan.*) I gather from Sir H. Fowler's despatch that the Secretary of State only disagreed in so far that he did not think that the operation of this order could be suspended. But the contention of the Indian Government is surely this: that, particularly where any change in military organisation entails extra financial expenditure upon India, India should be consulted, or, at any rate, should have previous notice?—Precisely.

14,590. (*Chairman.*) That care should be taken not to disturb the Indian Budget by suddenly springing upon it charges which had not been foreseen?—Quite so.

14,591. I think in the main we have been speaking of questions in which policy is concerned; but putting

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policy apart, have you any opinion to express upon the control exercised over military expenditure and the checks upon its growth as prescribed by the Military and Finance Departments?—I shall have a good deal to say about that. I think it is rather important that I should bring out clearly what the exact checks and control now exercised are, because I do not think Sir Edwin Collen's evidence brought it out quite sufficiently.

14,592. I think it will be convenient if you will make your statement?—The control exercised over military expenditure and the checks upon it and current expenditure and upon growth of expenditure are what I would propose to endeavour to explain as clearly as I can to the Commission. In the first place I would say that I found, sometime after I had taken over my office and had been able to go into these questions, that there was what appeared to me a lax system, both as regards spending during any current year money which had not been provided for in the estimates, and, secondly, in regard to saddling future estimates with new expenditure. In the first place, there was rather a tendency in the Military Department to sanction recurrent expenditure because money was available during the current year; and also, even if it was not recurrent, to sanction new expenditure, because money was available during the year. Now, in my opinion, that is a bad system. I think that if you allow your heads of departments and your Commander-in-Chief to get money which they have not included in their estimates, simply because you have money available that you can give them, it leads in the first place to carelessness in estimating and want of foresight, and in the second place, where such expenditure is recurrent, it leads to saddling future estimates, when you do not really know what your future financial position will be. Then there was a system under which subordinates in the Military Department, without the proposals coming before the Military Member at all, sanctioned expenditure that it was within the power of the Military Department to sanction without reference to the Financial Department, or referred proposals to the Financial Department for their concurrence. Even assistant secretaries and deputy secretaries—the Secretary did not so much matter—were sanctioning expenditure and were sending proposals for expenditure to the Finance Department without their going up any higher. Now, my experience was, that that system led to proposals being sanctioned without sufficient care in considering what their real effect might be Thirdly, I thought the system was bad, in that, practically, the Military Member of Council knew nothing about the preparation of the estimates and had very little voice really in their preparation; and, fourthly, the Military Member of Council had no means of knowing throughout the year and at any given moment how his current expenditure was being affected by sanctions given to the expenditure of money that had not been provided for in the estimates, nor had he any knowledge at any moment of how he was being committed to future expenditure in next year's Budget. It took me, I must say, a good long time to get at the bottom of this; but when I had done so, I determined that it was necessary to put a stop to this sanctioning of expenditure during the current year that was not provided for in the estimate, except in cases where it was absolutely necessary that money should be provided; and secondly, I determined to put a stop to this sanctioning of expenditure, or referring expenditure to the Finance Department for concurrence by subordinate officers. I thought it was necessary to have a positive rule on that subject. I see that Sir Edwin Collen, in his evidence, has brought up examples of pots and pans, and so on—questions which came up for my sanction. I will deal with that. I thought it was necessary to draw, at all events at first, a hard-and-fast line, and to say that "no money that has not "been provided for in the estimates shall be spent during "the current year without my sanction;" secondly, "no proposal shall be sanctioned for expenditure in a "future year or sent to the Financial Department for "concurrence without my sanction." It is impossible to draw a line as to amount, because—no one knows that better than Sir Ralph Knox—a very large principle may be involved in a very small sum. That small sum may mean just the crack in the dam that will let all the water through. Take the two small cases that Sir Edwin Collen brings up. He says there was the case of a sweeper—five rupees for a sweeper at some additional place—and it had to come up to me, whether it should be granted or not. No doubt it had. There is a fixed scale of menial establishments for every hospital and every barrack. Some place comes up and wants that scale increased. It ought not to be done, because it becomes a precedent for increasing the scale of menials all over the country. Just the same thing about pots and pans. There is a fixed scale in hospitals of hospital utensils; unless there is some very extraordinary reason why that hospital should have a larger scale, its demand for more ought to be refused. The subordinate officers in the department did not sufficiently understand that, and, therefore, I decided that all these questions—all demands for fresh expenditure—were to come up to me. Then I see, in some of the questions that were asked, it was put forward that this would cause me an enormous amount of heavy extra work, and that it would take away my attention from more important matters, and so on. Well, as a matter of fact, it did nothing of the sort. The whole of such questions that would come before me under the new rules, but would not have come before me under the old rules, would certainly not amount throughout the year to one case in a day. I went somewhat into figures, just to see what the extra work was; and one case in a day, as compared with the mass of work that comes before the Military Member of Council, is an absolute nothing, it does not count at all; and, as an actual matter of fact, I not only kept pace with the work that came up to me, but I was generally ahead of it, and I used to write down to the Secretary to ask if he had any work to send me for "I have got nothing to do." Well, then, in order to carry out these principles that expenditure was not to be sanctioned during a current year which had not been provided for in the estimates, unless there was absolute and crying necessity for it, and, secondly, that all expenditure, either during the current year or for future years, which had not been provided for, was to come to me personally, I introduced certain definite rules: first, that no application for expenditure not provided for was to be sanctioned or forwarded to the Financial Department for concurrence, except by myself personally, or, in my absence through sickness or on tour, by the Secretary; but I put in a saving clause that in any case where the Secretary considered the matter was not of sufficient importance to send to me, he, the Secretary, might deal with it. Then came the point that I had hitherto been without knowledge of what was going on. Now, in order that I might always be in touch with what was going on, I, after consultation with the Accountant-General, ordered certain lists to be prepared and constantly kept up. There were four of these lists. As soon as possible after the 1st April of every year, generally about the 15th April, the Accountant-General gave me a list, which we called List D., which showed what items there were in the estimates of the current year which would fall out and would not be required again in the estimates of the next year. That showed me at once how much there was in this year's estimates I could count upon getting out of my estimates of the next year. The next three lists, A., B., and C., were lists which were prepared quarterly. A few days after the 30th June I received these three lists. List A. was a list that showed exactly all the items of expenditure not included in the estimates which had been sanctioned for the current year only. Then on the 30th September the amount of the preceding list was carried forward, and the new items were put on, and so on up to the 31st December, so that in January I had before me, and I had during the whole year always before me, exactly what was being done towards adding to the current expenditure of the estimates at any given time. Secondly, List B. was a similar list, only showing what items had been sanctioned which would affect future estimates. I may say that, of course, every effort was always made to keep down A. and B., and nothing was allowed to go into A. and B. except expenditure which really was absolutely necessary, and that could not be prevented or refused. And then came List C. Now it had been the custom that if a proposal came forward from the Commander-in-Chief, we will say in June or July, to do something which would cause additional expenditure of half a lakh, or a lakh, or whatever it might be, annually, and if it had been considered in the Military Department desirable that it should be done for the efficiency and the improvement of the army, and it had been sent forward to the Finance Department with a recommendation and the Finance Department had said, "Approved, we agree," then, if there was money available by reappropriation, that expenditure would have begun at once during the current year, and, having once begun, it must go into the

estimates of the next year and future years. Now all these proposals were dealt with in a different way. The Commander-in-Chief put forward a proposal, not a thing of immediate and intense urgency, but a thing of importance for the efficiency of the army and the improvement of the troops. It went to the Finance Department, and they were asked to concur in its being placed in the estimates of the next year, supposing money were available; and this List C., which gradually grew to the end of the year, contained all those items which we wished to include in the estimates next year, provided money were available. These, then, were the three great changes that were made, the Military Member himself controlling all additions to expenditure that was not provided for in estimates; his having before him at all times a complete knowledge of what additional expenditure he was committed to in the present year, and what additional expenditure he was committed to in any future years; and third, all these proposals—instead of their being sanctioned and at once put into the estimates for the next year, without knowledge whether the money would be available or not—being all held over in this List C. until we came to the time of the appropriation for the estimates. I may say that they did not like this in the Military Department at first, because the assistant secretaries and deputy secretaries, and even the Secretary, did not like having taken away from them this power of sanctioning expenditure, or going direct to the Finance Department; but I had from the very first the fullest support of the Accountant-General, and I would like presently to read to you what the Financial Member of Council said on the subject himself. Copies of those lists were furnished to the Finance Department directly they came out. Therefore the Financial Department always had the same knowledge that the Military Member of Council had of exactly what was going on in the expenditure as differing in any way from the estimates; and they also knew at any time what our maximum demand, if we could get it, for the coming year would be for new items. That leads me on to the next question, which is the preparation of the estimates. List D., which I mentioned, is a list which contains merely those items that were in this year's estimates, but would not recur in next year's estimates. That was, once for all, made in April, and handed to me, and it was filed. Lists A. and B., the lists showing what we were committed to in the current year that was not in the estimates, and what we were committed to for the next year that was not in the estimates—these two lists were closed on the 24th January. After that we never committed ourselves to anything, and List C., containing the items that I wanted to get into the estimates if money were available, was sent in, made up to date, on the 15th February. It was then closed. Then, on the 15th February, the Accountant-General sends in his preliminary Budget to the Finance Department. You have been told, I think, how that Budget is framed. The four Controllers send in to the Accountant-General their estimates for pay and other items, and they send in through the heads of the Commissariat, Ordnance, and so on their Budgets for those services. The Accountant-General consults with the heads of the Departments. He examines these estimates, and he compiles them after consultation with the head of the department. He will say, "I think there is too much in here," and he will alter it. But he compiles the estimates from the Controller's estimates, and thus forms the normal preliminary Budget that is sent in to the Finance Department on the 15th February; and the Accountant-General, with whom I was always about this time of the year in close personal communication —I used to see him nearly every morning—would tell me exactly how everything was going on, and how his Budget would probably turn out. I was always in communication with the Finance Member, always keeping him informed by private note, and so on, in order that he might know what our demands were likely to be. This preliminary Budget of the Accountant-General, which was sent in to the Finance Department on the 15th February, did not include any single one of these new items which we wanted to get into the estimates, and as soon as my List C. was closed I let the Finance Member know how much it was. I said, my List C. amounts to, it may be, 20 lakhs, it may be 30, it may be 40, it may be 50, or whatever it was—it amounts to that—that is what I want to get, if I can get it. Then, about the beginning of March the Financial Member was able to make his own Budget calculations. He knew how much money he was likely to have. He knew pretty well what his estimates would be, and he was then in a position to discuss matters with me. I see in a letter which I wrote to Sir Edwin Collen on the 6th March last, I said, "On the 26th February, the "Financial Member informed me that he was ready "to discuss the estimates with me, and asked me to "appoint a day. I appointed 11 a.m., 2nd March, at "my house; informed the Secretary, Military Depart-"ment, and Accountant-General that they would have "to be present." And then the next step was, as soon as I had fixed this day with the Financial Member I went to my office, where all these cases that were in my List C. were arranged ready for me to look at, and I refreshed my memory as to every one of them; and any of them upon which there was likely to be any discussion between the Financial Member and myself, I took to the place where he and I were going to have our meeting, with my mind ready to give him any information that he might require. Then the Financial Member, bringing with him his Financial Secretary and his Comptroller-General as a rule, said to me, "Here is your preliminary estimate amounting to so "much; you want so much more?" "Yes." "Well, "my financial situation is this. You want 60 lakhs; "I can only give you 15." Or, "I have got a good "surplus. I will go through these things with you, "and satisfy myself as to the necessity of them, and "see whether I can give you the whole," and so on. Now, in one year I got perhaps not more than one-seventh or one-eighth part of what I wanted to get. It was a very bad year financially; I was perfectly satisfied that the Financial Member could not give me any more, and that it would not be right for him to give me any more, and I said, "All right, if that is all you can give "me, then I will take 5 lakhs, 10 lakhs, or whatever it "may be, and I will do the best I can with it." Then I went with my List C. to the Commander-in-Chief, and we went through that list together, and we agreed together what were the items that we would select to put into the estimates, amounting to the sum that the Financial Member could give us. Another year I was able to get the whole of my requirements; but I would say that throughout the year, the Military Member and the Financial Member being constantly in touch, if any abnormally large proposal came forward, I would say to the Commander-in-Chief, "I think you "had better not press this this year. There will not "be money available. It will only go to swell this List "C. and make it appear too big, too formidable, and I "would not press it this year if I were you." And he would not press it. Then the Financial Member having agreed with me that he could give me so much money, I would then go down to my office, either having selected the items with the Commander-in-Chief or having been able to get the whole of my list, and on every one of those cases I would pass orders. "This "is to be entered in the estimates." Or, "Cannot "be entered. No money available," as the case might be. Then all these cases went at once to the Accountant-General, who entered in the estimates all those which there was my authority to enter. The estimates, as sent in by the Accountant-General, had generally by this time been overhauled by the Comptroller-General. The Comptroller-General takes the preliminary estimates as sent in by the Accountant-General and he goes through them. As an example, for instance, of what he would do, he might say, "You have "charged this year 50 lakhs for food supplies. I think "it is too much. The average of the last three years, it "is quite true, on which this is generally based, was "50 lakhs, but last year was a lower year than the year "before, and prices are still falling, and therefore I "think you ought to take less than 50 lakhs this year." Then the Accountant-General and the Comptroller-General will agree between themselves. There might be a reference to me, but there probably would not be, as to what this charge should be put at, and it might be that they might say, "Well, we will reduce the estimates "to 47 or to 46 lakhs." On the other hand the Accountant-General might say, "I have taken 50 lakhs "this year, but I want you to observe that prices are "rising. Do you think that it is right that I should "only take 50 lakhs, the average of the last three "years," and the Comptroller-General might say, "No. "you ought to take more than 50 lakhs; you ought "to take 53 lakhs." That is the sort of way in which the Comptroller-General would come in. If there was an exceptionally large demand for ordnance stores, he would say to the Accountant-General, "I must have "some more explanation about this." It would be given

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to him, and so on; but as regards all these what might be called new items of expenditure in List C., not one of them could go into the estimates until they had been personally discussed at an interview between the Financial Member of Council and myself. The result was that no new expenditure was included in the estimates until we knew how much money was available. Until the Financial Member had agreed upon how much he could give, no new expenditure was included, and then only so much as the Financial Member was prepared to meet. Well, those are the checks, and that is the system in the Military Department of checking expenditure—current expenditure, growth of expenditure—and the method of preparing estimates. It would take me not more than two or three minutes more just to go through the same subject in connexion with home expenditure. I found what I thought a bad system in connexion with home expenditure. I found that there was not nearly sufficient control over the demands sent home for stores. There seemed to be an idea in the Military Department in India that they had no responsibility whatever for the home expenditure, that that was the Secretary of State's affair, and not our affair. It was perfectly true that it was the Secretary of State's affair, and not our affair, so far as these charges connected with the charges of the War Office for non-effective service, and all those sort of things were concerned; but it was not true as regards demands for stores, and there was a slack system about demands for stores. An estimate had gone home for ordnance stores—35,000*l.*, 40,000*l.*, 50,000*l.*, whatever it might be—but the Director-General of Ordnance wanted more stores, and it seemed to be taken as an absolute matter of course that his demand for more stores was to go home to the Secretary of State, and the Secretary of State was to deal with it and to say whether he would give them o whether he would not give them; and that I thought was altogether wrong. Stores were being ordered without consideration of the estimates. There seemed also an idea existing that home and Indian estimates and expenditure need not be considered together; and, therefore, I issued an order that no demand for stores was to be sent home to the Secretary of State except by my personal order, and I gave notice that no such demand would be sent home by me unless the head of the department wanting more stores could show me a corresponding saving in his estimates, either at home or in India. If, for instance, he had been going to manufacture something in India, and he had taken money in his Indian estimates for that manufacture, and he then found, "I cannot make this. I have not "yet got the right plant from England, and I cannot "do it; I must order it from home," formerly the Secretary of State would have been indented on for the stores; but the head of the departments requiring the stores would not have been called upon to make a corresponding saving in India; whereas I said, "Well, "you may have these stores from home, but a corresponding amount in rupees will be taken off the "money which you are authorised to spend in India." and in that way I brought home and Indian expenditure together, as it were, into one. The results of that I should like, in a very few words, to state. I was able to show, speaking in the Legislative Council, that in 1894–95, for the first time almost in our history, our expenditure was below our estimates. I said: "This is, I believe, the first time for many years that the "military expenditure has been within the military "Budget estimates. The military works expenditure, "the special defence expenditure, and the home ex"penditure for 1894–95 were all also well within the "estimates." Then I said: "The system which I "found in existence"—this was speaking in the Legislative Council in 1895—"The system which I found "in existence was one that did not give sufficient "control, even in times when money was plentiful, "and was utterly unsuited for times of difficulty. "The Military Members of Council and Finance "Department did not have that control over military "expenditure which they should have had. For that "system one has been substituted under which "not one rupee of additional expenditure can be "sanctioned by anyone but the Military Member of "Council himself, under which no expenditure not "provided for in the estimates is sanctioned during "any current year, unless it is of absolute and urgent "necessity, and no fresh expenditure is added to "future estimates until after the Military and Financial "Members have personally agreed upon the amount "available for military expenditure within which the "estimates must be kept. I can assure this Council "that the most rigid economy is now practised in all "matters of military expenditure, that no effort is "spared by the Military Department, by the Com"mander-in-Chief, and the heads of departments, to "effect reductions of expenditure wherever they can "be effected without detriment to the efficiency of the "army, and that, except for military expeditions, which "cannot be provided for in the estimates, such things "as supplementary estimates have altogether ceased." That was based on the experience of the three years. Then I should like to show what was the opinion of the Finance Department. I hardly like to read it because it is so very complimentary to myself, but I think, after what was said by Sir Edwin Collen here, and also in reference to the tone of some questions that were put to him, that perhaps I ought to read this, which was said by the Financial Member of Council in his speech in the Legislative Council in March last. "Now, my lord, before I close," this was said at the end of his speech, "I have one word to say. It "may be considered impertinence on the part of a "junior member of your Excellency's Council to say "a word in acknowledgment of the services of a senior "member of this Council. But my relations with my "honourable friend, Sir Henry Brackenbury, in the "financial administration of his department have been "such that it is impossible for me to allow him to "leave this Council without conveying to him, on the "part of the department over which I have the honour "to preside, our acknowledgments for the grand "work that he has done in bringing under complete "financial control the whole of the expenditure of his "department. I have had in my time of service in "the Financial Department, now extending back over "a quarter of a century, not a few contests with the "Military Department. It is almost necessary that "these should arise, because the Military Department "is peculiarly the spending department of the Govern"ment, and the Financial Department is very much "interested in its financial control and in its financial "arrangements. But there have been no difficulties "of this kind during the time that I have had as my "colleague the distinguished officer who sits on my "left." That shows, I think, perfectly clearly what the Finance Department thought of those reforms that were introduced into the military system; and Lord Elgin, in speaking afterwards said, referring to Sir James Westland's remarks: "It is a record of a great "work; not only the work during five years of an "individual . . . . . but the work of a great "department of State under the guidance of the "honourable member."

The witness withdrew.

(Adjourned till Monday next at noon.)

At the India Office, S.W.

THIRTY-FOURTH DAY.

Monday, 15th February 1897.

PRESENT:

THE LORD WELBY, G.C.B. (CHAIRMAN, PRESIDING).

The Right Hon. LEONARD COURTNEY, M.P.
Sir WILLIAM WEDDERBURN, Bart., M.P.
Field-Marshal Sir DONALD STEWART, Bart., G.C.B., G.C.S.I.
Sir E. W. HAMILTON, K.C.B.
Sir RALPH KNOX, K.C.B.
Sir JAMES PEILE, K.C.S.I.
Sir ANDREW SCOBLE, K.C.S.I., Q.C., M.P.
Mr. G. L. RYDER, C.B.
Mr. T. R. BUCHANAN, M.P.
Mr. DADABHAI NAOROJI.
Mr. R. G. C. MOWBRAY.

Mr. COLIN G. CAMPBELL, *Secretary.*

Lieutenant-General Sir HENRY BRACKENBURY, K.C.B., K.C.S.I., re-called and further examined.

Lt.-Gen. Sir Henry Brackenbury, K.C.B., K.C.S.I.

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14,593–4. (*Chairman.*) You were speaking of the control exercised by the Financial Department. Could you tell us more precisely the kind of control exercised by the Financial Member of Council?—I should like, with your permission, to answer that by reading an extract from a speech made by Sir James Westland in the discussion of the Financial Statement in 1895. Sir James Westland said; "It is rather "inconvenient to me that the honourable member "should be able to draw from the letters which have "been written and made public by my predecessors, "Sir Auckland Colvin and Sir David Barbour, an "armoury of attack against myself; but, in the first "place, there is a great deal that they say which I "distinctly cannot admit. They have alleged, for "example, the position of the Financial Member of "this Council as an impossible one. He is in a "perpetual minority, perpetually being driven against "his will to sanction expenditure which he does not "approve. In fact, I rather think they give it to be "understood that the moment the additional members "leave this room, the Commander-in-Chief promptly "lays the Financial Member on his back upon the "table, the other members proceed to rifle his pockets, "while his Excellency the President stands by, feebly "deprecating the outrage. Now, I wish to point out "that, as a matter of fact, there is in the constitution "of the Executive Council a weapon with which the "Financial Member equalises his position with that "of all the other members combined. By a rule "passed under statute about 10 years ago, it is "ordained that the Financial Member in any matter "of expenditure, if he is supported by the Viceroy, "has an absolute veto over any measure, however it "may be urged by the other Members of Council. I "believe there is not a single instance in which this "power has been exercised, but it exists, and the "mere fact that no instance has occurred in which it "has been exercised shows that the power which that "rule gives to the Financial Member has been effective "for the purpose for which it has been given. It "obviously, in my opinion, throws upon the Financial "Member the responsibility of accepting as his own "every measure which comes up before the Council, "and which he does not actively protest against. He "is not tied and bound by the votes of a majority. If "he accepts a proposal of expenditure, he accepts the "responsibility; if he declines it, the project is at an "end if the Viceroy support him; and if the Viceroy "does not go with him, he has the power, which every "member of this Council has, of recording a dissent. "Of course it is easy to see from the statements of Sir "Auckland Colvin made in the paper to which the "honourable member has referred, that he disapproved "of the enhancement of the expenditure on the Army "which took place 10 years ago. But there is one "thing that ought to be remembered, and that is that "even the Financial Member (and I include myself) is "not always necessarily in the right. I think, if the "Financial Member finds himself in an absolute mino-"rity, he may reasonably consider that there is some-"thing to be said for the other view. The increase in the "Army, which took place 10 years ago, although it "was opposed by Sir Auckland Colvin, was accepted "by the Government of India and by the Secretary of "State. It must be taken, therefore, as a distinct "policy approved by the highest authorities respon-"sible for the administration of India, and as one in "their opinion necessitated by the interests of the "safety of the Empire."

14,595. What were the occasions upon which Sir David Barbour and Sir Auckland Colvin had expressed themselves to the effect which he criticises?—I think they had written letters to the newspapers, and I think Sir Auckland Colvin had written an article in the "Nineteenth Century." Sir David Barbour had been making speeches or had written to the newspapers; I forget which.

14,596. You are aware that, to a very great extent, they repeated that line of criticism upon the position of the Financial Member of Council before this Commission?—I am aware of it.

14,597. And it may possibly be within your recollection that Sir David Barbour certainly, and I think Sir Auckland Colvin, spoke of the rule as to what Sir James Westland called "the veto," as being of practically no utility; I do not think that I exaggerate what Sir David Barbour said?—I can only say that Sir James Westland, the present Financial Member of Council, holds a directly opposite opinion, which I have quoted from his own lips.

14,598. (*Sir James Peile.*) I asked a question, I remember, whether that rule is not a dead letter simply because, if the Viceroy and the Financial Member of Council agree upon any point, they are able to carry their opinion without going through this process of going to the Secretary of State?—Precisely.

14,599. Therefore they would do equally well without the rule, would they not?—No, I do not think so. There might be a majority in Council in favour of a certain policy of expenditure, against which policy were the Viceroy and the Financial Member of Council. The majority in Council, if there were not this rule, would be able to have a despatch written to the Secretary of State recommending their policy, and the Viceroy and the Financial Member of Council could only append a dissent. But by means of this rule, if the Viceroy and the Financial Member are agreed against the policy, no despatch can be written to the Secretary of State recommending the policy.

14,600. Have you seen what Lord Northbrook said—No; I have not seen Lord Northbrook's evidence, I am sorry to say.

14,601. He held the rule to be entirely unconstitutional?—Well, I am not an authority on constitutional questions.

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14,602. (*Chairman.*) I think also that Sir David Barbour and Sir Auckland Colvin dwelt upon this point, that if the Viceroy and the Financial Member of Council are agreed, the position of the Financial Member is sufficiently strong; I think the point at which they felt it to be, so to speak, weak, was in cases where the Viceroy was against them?—Quite so.

14,603–4. I think that at the time when we broke up last Monday, the point that we had under consideration was the control exercised over military expenditure apart from policy, and that the last question I put to you related to the checks upon the growth of the military expenditure in the Finance Department?—Yes.

14,605. I should like to ask you whether the Viceroy, personally or in Council, exercises control over such expenditure?—The Viceroy, I may say, both personally and in Council exercises control over such expenditure, personally, according to his personal judgment, in consultation with any member of Council, wishing to bring forward any proposals for expenditure; and no large expenditure, either initial or recurring, either for military purposes or for any other purposes, would be sanctioned without going before the Governor-General in Council. I gave, I think, last week as examples of that the extra pay for the native army, and the money which was granted for mobilisation last year, the one being recurring and the other initial expenditure, and both of them having gone before the Governor-General in Council.

14,606. But, previous to such questions going before the Governor-General in Council, do we understand that the Member of Council, for instance, the Military Member, discusses personally with the Viceroy proposals which in due time would be brought before the Council?—Certainly.

14,607. And thus the Viceroy has the opportunity of exercising such control as he thinks fit?—Yes.

14,608. To what extent is the Secretary of State at home a check upon military expenditure?—No large expenditure, no increases of staff or of salaries, either civil or military, can be made without the sanction of the Secretary of State, except in the case of very small salaries; and as regards military expenditure, there can be no alteration in establishments either in the direction of increase or decrease without the sanction of the Secretary of State. As regards public works, no great new public work can be entertained without the approval of the Secretary of State; but I must frankly state my opinion that the influence of the Secretary of State is not always exercised in the direction of economy. I will give an example of that in the Military Department. When it was decided to give an addition of two rupees a month to the pay of what are called the dismounted branches of the native army, the Government of India thought that the opportunity could be taken to withdraw certain concessions, which applied to certain portions of the native army, and which, in their opinion, it would no longer be necessary to grant when this increase of pay was given. The whole matter of all the concessions that were peculiar to any branch of the native army was gone into very carefully; and the Commander-in-Chief, and the Governor-General and the Council, were unanimous in recommending that certain economies might be made by withdrawing certain special concessions then in existence, simultaneously with the grant of the additional pay. A representation was made to the Secretary of State that those concessions should be withdrawn, and the Secretary of State negatived and vetoed the proposal. There are also other cases in which the Government have recommended a reduction in the native army, and the Secretary of State has not approved of it; and I would also wish to express my opinion, that during the time I was in India, as regards public works, the influence of the Secretary of State was most distinctly in the direction of expenditure, rather than of economy.

14,609. When you speak of public works, are you speaking of military works?—No, I am speaking of railways.

14,610. Military works generally?—Military works are not called public works in India. I think, perhaps, I might take this opportunity of stating that it is within my knowledge that the present Financial Member of Council, Sir James Westland, considers that the great danger to India as regards finance is excessive expenditure upon public works,

14,611. (*Sir James Peile.*) That would be railways, I suppose, would it not?—Railways especially. I know that he considers that the programme is too rapid; I know that he has expressed that opinion, and that he has been overruled.

14,612. (*Chairman.*) Then you would hold that Sir James Westland takes somewhat a different view from his predecessors of the utility of the check of the Secretary of State from a simply financial point of view. Those two officers, I think, expressed to us their view that the ultimate reliance of the Financial Member of Council must be upon the adoption of an economical policy by the Secretary of State. Of course, I am speaking of those cases in which there might be a difference between the Viceroy and the Financial Member?—I think that the answer to that is really to be found in the words of Sir James Westland's speech. Suppose, for the sake of argument, that Sir James Westland has protested against the railway policy, I mean the railway programme in India being continued in its entirety, and not being in any way reduced simultaneously with this famine which is going on, and the enormous expenditure which that involves; and that he has been overruled. Then I think that what Sir James Westland would say is what he said in this speech: "I think if the Financial Member finds "himself in an absolute minority, he may reasonably "consider that there is something to be said for the "other view," and also, "But there is one thing that "ought to be remembered, and that is, that even the "Financial Member (and I include myself), is not "always necessarily in the right."

14,613. Of course, that to a certain extent the policy of productive works in India is a reproductive policy?—Quite so.

14,614. And the Secretary of State might hold that the carrying out of a public works policy is, though perhaps not immediately, still within a measurable time, an absolute financial benefit to India. I observe that Sir James Westland's criticism refers rather to that branch of expenditure. There are other branches of expenditure such as military expenditure, of which, however necessary the policy may be, the same cannot be said. Would you consider that in that respect the Secretary of State is rather an expensive element in the Indian adminstration, than, as Sir David Barbour and Sir Auckland Colvin represented to us, a most economical one?—I think I had better speak my mind out frankly and say that during the first two or three years that I was in India, the Government of India was constantly being (I can use no other word) nagged at about the military expenditure without a single useful suggestion for reducing it ever being made to us. It was the Financial Member of Council himself who suggested that we address the Secretary of State, and beg him to put a stop to this perpetual carping about military expenditure, because he had satisfied himself that it was impossible to have the army, the strength of which had been laid down with reference to Imperial interests, more cheaply administered than it was administered; and a despatch was written to the Secretary of State which the Financial Member himself proposed to draft, only he found it rather a difficult task, and we had to help him to do it. I do not think that the control exercised by the Secretary of State over military expenditure has really produced any sensible economy, certainly during the time over which my knowledge of India extends.

14,615. Was that the present Financial Member?—That was the present Financial Member, Sir James Westland.

14,616. Now take these checks generally, may we ask your view as to their efficiency, and as to whether they afford a satisfactory guarantee against extravagance?—I do not see what other ultimate court of appeal there can be with any knowledge of India beyond the Secretary of State. I do not think it is for me to judge, or for me to express my opinion as to whether the Secretary of State exercises a proper and sufficient control over expenditure. I may say, quite distinctly, if the question put by your Lordship in any way points to making Parliament a court of appeal, I do not think it is humanly possible that there could be a worse one.

14,617. My question rather was intended to elicit from you a review of these powers of control vested in the different bodies, not only in the Secretary of State, and I wanted to get generally your view, from your own intimate experience of the working of

these arrangements, as to the efficiency of the checks?—I think that the checks exercised over the detail of expenditure in the Military Department, which is the only one as to which I could speak on that point, are sufficient, and as complete as it is possible for any checks to be—the checks exercised by the Military Department and by the Finance Department. As regards control over expenditure generally, I think that the Viceroy and the Financial Member and the Members of Council, taken as a body, may be thoroughly trusted to watch and to see that expenditure is not pushed beyond the proper limits.

14,618. Therefore, I gather that, as far as India itself is concerned, you are satisfied with the present system of control?—I am quite satisfied with it.

14,619. And, so far as the ultimate check at home is concerned, you are, may I say, very much alive to the difficulties which the Secretary of State must have in exercising an efficient check upon expenditure?—Certainly.

14,620. Further, you see no check beyond the Secretary of State which, in detail, can be of any service?—None that I can imagine.

14,621. With reference to that, I gather that your view is that, on many points at least, the Secretary of State has been uneconomical; and, so far as that is the case, do you not think that a general bias in the favour of economy might be impressed upon the Secretary of State through Parliament?—I do not think that Parliament could usefully interfere in the matter at all. The Secretary of State is more closely interested than anybody else can be in this country—the Secretary of State and the members of his Council—in seeing that India is well administered and well governed. The Secretary of State and the members of his Council know a great deal more about India than anybody else in this country does, and I do not think that any outside quasi-ignorant supervision of them would be of any use.

14,622. Therefore, if the Secretary of State is uneconomical, an uneconomical policy must be enforced without any defence against it?—I do not know how far such questions as that would come before the Cabinet. I should think—I do not know—that the papers on the subject of any large deficit in India would probably be circulated to the Cabinet, and there might be some discussion about it in the Cabinet. Of course I cannot say.

14,623. May I put this point to you: take the Home Government; Parliament as a body, is not instructed in the details of administration. It has, of course, more opportunity of learning the facts of administration in England than in India. There is very little doubt that Parliament, without interfering in the details of financial administration here, can express so strong an opinion upon the general tendency of finance as very quickly to enforce a new policy on the Government or change the Government. Now, do you not consider it possible that, if the Secretary of State was uneconomical, a check of that kind might usefully come from the House of Commons?—I do not think the House of Commons know anything about it.

14,624. I will put it thus, that the House of Commons is, on the whole, a body of sensible people who are able to form a judgment as to whether a policy is likely to lead to difficulty or not?—I take it that if Parliament are dissatisfied with the Secretary of State now, they can express their opinion.

14,625. Quite so; but I wanted to know whether, in such circumstances as I have described, you do not think the ultimate check of Parliament might be useful. Up to this time, you have expressed yourself rather strongly, I think, against the influence of Parliament in any shape?—Most strongly.

14,626. Not in the most general sense?—I do not see it.

14,627. (*Sir Andrew Scoble.*) If you had an extravagant Secretary of State, and an economical Viceroy, would not the Viceroy easily bring the question between him and his chief to the cognizance of Parliament and public opinion by resigning?—Undoubtedly he could.

14,628. And do you not think that that would be an easier, and simpler, and better way for coming to a right conclusion on the matter, than coming to Parliament as a rule?—I do, certainly.

14,629. (*Mr. Courtney.*) Does your experience suggest that that expedient could be relied upon?—I have not known a case in which a Viceroy's proposed resignation has been accepted.

14,630. I think that, looking back upon your own experience for some two or three years, you intimated to us that the intervention of the Secretary of State was unintelligent and, happily, ineffectual?—I do not think I used either of the words.

14,631. No; but was not that the sense of your evidence?—I think I merely said that the Secretary of State's influence had not always been exercised in the direction of economy; I gave examples in the Military Department.

14,632. That is not what I was referring to. What I was referring to was the period during which you said the Secretary of State kept on "foolishly nagging"?—Nagging; I did not say foolishly, but I said nagging.

14,633. Was that not the same thing as unintelligent?—Well, perhaps from our point of view in India we did think it was not very intelligent.

14,634. And also it produced no effect?—It produced no effect.

14,635. And, therefore, it was ineffectual; but you cannot suggest any better means of bringing intelligent criticism to bear than that which failed in this instance?—I really honestly cannot suggest anything better; the criticism is exercised by the Government of India; you must trust somebody somewhere.

14,636. Lord Welby suggested to you that the House of Commons, being composed of sensible men, restrains the tendency, if it exists, to extravagance in Governments at home?—I should hesitate to accept that as a fact. The influence of Parliament, I think, in this country is very often largely exercised in the direction of expenditure beyond what the Government wishes to incur.

14,637. The House of Commons presses for further expenditure?—The House of Commons sometimes presses for further expenditure.

14,638. However, we may look back on times, may we not, when the House of Commons has restrained expenditure?—Certainly.

14,639. Has that pressing for further expenditure been due to the natural, the spontaneous action, of the members of the House, or has it been due to the ignorant impatience, as it has been called, of the taxpayers outside?—I cannot answer.

14,640. You would not discriminate between the two?—I cannot answer that; I am not capable of answering that question.

14,641. Is not that point, at all events, valuable for consideration in respect of this, that, as far as expenditure and taxation of India are concerned, the House of Commons receives no impulse from this impatience of taxpayers outside, whom they represent when inside?—No; I think not.

14,642. The British elector may refuse to be taxed, and through his representative he may cut down expenditure; the British elector is not stirred up to limit the taxation in India in the same sense?—No, he is not.

14,643. Is not that an answer to the suggestion that you could get from the House of Commons any real limitation of the expenditure in India?—I think it helps to answer the question. I do not think that the House of Commons could give you any useful criticism upon Indian finance, as the House of Commons is constituted.

14,644. With respect to that intervention of the Secretary of State, which was so unfortunate, your answer referred, I think these were your words, to an army which had been settled for Imperial purposes. Who settled it?—Would you kindly refer me to that.

14,645. It was an answer you made just now, to Lord Welby?—Did I use the word? very likely I did. I have spoken—I could turn to many places here in speeches where I distinctly state——

14,646. I want you to discriminate between details and the leading outlines of a plan?—Yes.

14,647. That check upon which you rely, and I have no doubt properly rely, as so valuable and so good, is a check as to details?—Certainly.

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14,648. Who settles the Imperial uses and the Imperial scheme of the Army in India?—I should say the Secretary of State in Council.

14,649-50. And this intervention, which was so unintelligent (to use my word), was not directed to the settlement of the army in India upon Imperial lines?—No; I should say not. "Intervention" I do not think is quite the word. The general tenour of many of the Secretary of State's expressions in regard to military expenditure was simply that in view of the great financial necessities of India, and so on, everything must be done to keep down military expenditure; "he again called our attention to the great amount of military expenditure," we must "cut down military expenditure," but never any suggestion to show as to how it was to be done, and it was pointed out, if you will allow me to say so, in a minute of mine which you have here in this appendix, which was in answer to Sir David Barbour, why I could not accept Sir David Barbour's proposal to cut down the estimates as he wanted (*after looking at the minute referred to*). I thought that in all probability somewhere in that minute I should have stated about it, but in that minute I do not seem to have stated what I certainly have stated, and can find in my speeches, that the strength of the Army in India is settled by the Government of India, in consultation with the Secretary of State for India, to meet Imperial needs. I certainly can find that.

14,651. We may take that as your general view?—I find that I said in the Legislative Council: "The "standard of military efficiency—and in that I mean "to include the number of troops—is fixed by the "conditions of this country, and is determined by your "Excellency's Government, with the approval of the "Secretary of State," and I have said it elsewhere; and I may say that while I was in India the question of the strength of the army was over and over again gone into, and we wrote to the Secretary of State about it.

14,652. And upon that question, which determines all others, did you get any light from the Secretary of State?—No, I cannot say that we did during the time that I was there.

14,653. Would you say generally that the intervention of the Secretary of State in details of administration must almost necessarily be vexatious and useless?—May I read, before we pass to that, because I have found exactly what I wanted to say? This is in my speech in Council in 1894:—"I come at "last to this question: Can the numbers of the army "in India be reduced? That is not a question upon "which I would personally wish to express an opinion, "for this reason, that the strength and number of the "troops as they now are have been definitely fixed by "the Government of India and the Secretary of State. "After reviewing the condition of India, they have "been fixed according to what is considered necessary "for safety against external and internal danger. The "strength is reviewed by the Government of India "from time to time, and has recently been reviewed "by us, and by the Secretary of State, and no "reduction of the Army in India can be made by the "Governor General in Council alone. No reduction "can be made except on well-considered grounds, "carefully studied, and so reasoned out as to convince "Her Majesty's Government, because the strength of "the Army in India is not only a question of Indian, "but is a question of Imperial policy."

14,654. Upon that preliminary question the Secretary of State, fortified by the opinions of his Council, and by what you may call the common mind of his colleagues in the Cabinet, would bring a paramount influence?—I think distinctly so.

14,655. But when he interferes in criticism of detailed administration he must be less informed and less effective than the authorities in India concerned?—I think so.

14,656. (*Sir Ralph Knox.*) In regard to the increased force of European soldiers in India, the demand came distinctly in the first instance from the Indian Government, did it not?—I was not in India when those demands were made. I cannot answer that question, but I am quite prepared, if you like, to take it from you as a fact that it did. You mean the proposal for increase?

14,657. The 10,000 men in 1884-85?—In 1885, yes.

14,658. There was no particular anxiety on the part of the Government at home of their own mind to increase the European force by 10,000 men in India?—I did not belong to the Government, and I have not the slightest idea of what the Government thought.

14,659. A considerable difficulty exists as to the supply of Europeans for the army in India, does there not? It is not an easy problem to supply tens of thousands of men for foreign service?—I should think that under voluntary system of enlistment it is extremely difficult.

14,660. And after the supply of those 10,000 men to India, it appears that the Secretary of State for India, moved by some influences, at all events, thought that there might be some reduction of military expenditure. You mention that he was constantly pressing upon the Indian Government to make reductions?—To make reductions in military expenditure; pressing it upon us in vague and general terms.

14,661. So far as the military expenditure was concerned, subsequent to that increase, the Secretary of State appears to have pressed for some reduction; is not that so?—I can, of course, only really speak to the five years that I was in India. During the first three years of that the Secretary of State was constantly pressing us for a reduction of expenditure in vague and general terms. During the last two years that entirely ceased.

14,662. (*Sir Donald Stewart.*) You referred just now to the Secretary of State having objected to certain reductions recommended by the Government of India, I think, in regard to the Native Army?—Yes, that is so.

14,663. Did that objection refer to direct reduction of the existing establishment, or to the reduction of one particular portion of the Indian forces, and an increase in another direction?—To the best of my recollection it referred to a reduction of one portion of the Indian Army. I have no recollection of any corresponding increase being proposed in another direction.

14,664. But was not that in the mind of the Government of India?—Certainly not.

14,665. Are you aware that, notwithstanding the reduction in the Madras Army recommended by the Government of India in your time, the Government has very recently assured the Secretary of State that it is not possible to make the reduction to which, I think, you have referred?—You mean the Madras Government has made that?

14,666. No, the Government of India?—The Government of India?

14,667. Yes?—I am aware that the Government of India has since said that it does not consider it desirable to make that reduction. That is consequent upon an increase of territory, since the original proposal was made.

14,668. But if that reduction had been carried out at the time at which it was proposed by the Government of India, it would now have been necessary to have raised the regiments again?—I do not think it would. If the last small reduction which was recommended had been carried out, I do not think it would have been necessary to raise another regiment.

14,669. You also refer to the Secretary of State's refusal to sanction the withdrawal of special allowances drawn by a certain portion of the Native army in a particular district. Was not this decision due to the matter being one of policy rather than a matter of economy in finance?—I do not know to what it is due; without seeing the Secretary of State's despatch I could not answer; but what I can say is that the whole question of policy, as well as the actual economy, had been carefully considered by the Government of India and the Commander-in-Chief; and the Commander-in-Chief was in favour of these concessions being withdrawn, as were the whole Government of India; but the Secretary of State, I suppose, considered he was a better judge of what was right than we were, and he said that they were not to be withdrawn. In that case his influence was distinctly not in favour of economy.

14,670-1. Precisely; but I suppose that on matters of that importance the Secretary of State's decision is one that ought to carry some weight, he being responsible for the general policy of the Government?—Unquestionably; and it never entered into the head of any member of the Government of India to dispute a decision of that sort when once it had been given.

14,672–3. (*Sir Ralph Knox.*) The Secretary of State, in expressing his views, would really be expressing, or might be held to be expressing, the political views of this country, I presume, as regards a large political question; would not that be the case?—I suppose it would.

14,674. And in that sense he may be regarded as expressing the political views of this country if he presses for a reduction of military expenditure, and rather encourages an expenditure upon productive services, such as railways and irrigation works, might he not?—The Secretary of State is a member of Her Majesty's Government; whatever he writes he writes as one of Her Majesty's Government, and Her Majesty's Government are taken to express the wishes of the country for the time being, I suppose.

14,675. (*Sir William Wedderburn.*) I suppose the feeling of the taxpayers of India is in favour of economy?—The feeling of those taxpayers of India who are capable of reasoning on the subject at all, yes.

14,676. Can you suggest any means by which that influence could be made to act as a check upon undue expenditure?—I can suggest no means except that which already exists—the influence, in the first place, of those additional members of the Legislative Council who represent various classes of the taxpayers, and in the second place, the influence exercised through the press. I can suggest no other means.

14,677. Do you consider that the presence of unofficial members in the Legislative Council operates in any way effectually or usefully as a check?—I think it distinctly does operate usefully as a check.

14,678. Should you not be inclined somewhat to strengthen their position in that respect?—I should not be inclined to make any further alterations in the constitution of the Legislative Council at present. The great addition which was made to the number of additional members is of very recent date; the power given to discuss the financial statement every year is also comparatively new; and I think that it would be far better to allow existing arrangements to work for a time until we know more how they really do work, before any further changes are made.

14,679. You would object to the non-official members being allowed to move an amendment on the Budget and dividing the Council upon it?—Personally, I should not object to their being allowed to move an amendment in favour of reducing expenditure; I should very much object to their being allowed to move an amendment in favour of increasing expenditure.

(*Sir William Wedderburn.*) I meant in favour of reducing it.

14,680. (*Mr. Naoroji.*) At present, however, the unofficial members have no power whatever to propose an amendment, or any resolution either for reduction or increase of taxation; is not that so?—They have no such power on the discussion of the Financial Statement, but they have power on any Bill for taxation to move amendments, or to vote against the Bill.

14,681. The Budget is not legislatively passed at all, as I understand from Sir David Barbour?—The budget is not in any way legislatively passed; but any new taxation of any sort must be passed by the Legislature.

14,682. (*Sir Ralph Knox.*) The number of members of the Legislative Council is not great, is it?—The number, I think, of the Viceroy's Council is about 21 or 23. That includes the official members of Council.

14,683. But it is open to all the members freely to express their opinion upon such a subject as the Budget?—Quite so; and they do so. There is a discussion of the financial statement every year in Council, and they express their opinion with the greatest freedom.

14,684. And it would certainly hardly be obstructive if almost every member of the council expressed his opinion individually?—Very large numbers of them do; I think you will find that two-thirds at least of the members speak in the discussion of the financial statement.

14,685. So that you practically get a division, you may say?—No; there is no formal division, but you know what everybody has to say; it is just as useful as a division, of course.

14,686. (*Mr. Naoroji.*) These mere speeches, or criticisms, expressed on the occasion of bringing in the Budget, have no practical effect as far as the Budget is concerned; the Budget is complete, and cannot be touched, no matter what opinions are expressed; is not that so?—That is so.

14,687. (*Chairman.*) With reference to Mr. Courtney's question to you on the subject of parliamentary control, the House of Commons, of course, has no great knowledge of Indian affairs; upon that we should be agreed, but the House of Commons is the constitutional method of conveying public opinion to the Executive Government, and in that way would you allow that the public opinion of this country might at times be usefully brought to bear upon the Executive Government of India through the House of Commons?—The opportunity, I take it, exists in the discussion every year upon the Indian Budget, when, as a rule, I believe there are 10 to 12 members of Parliament present.

14,688. My question was of a more general kind than that. I am speaking of the public opinion of this country through the House of Commons having an influence upon Indian policy. Do you not think that occasionally that expression of public opinion in a legitimate form may be of use, or are you entirely opposed to any expression of public opinion?—I am the greatest possible advocate for public opinion being expressed in the freest and the fullest way everywhere. I think that the more public opinion is expressed about what goes on in India, as long as it is reasonable and intelligent public opinion, the better. Anyone who has anything to say in the House of Commons about India let him say it. Every member of the Government of India, I am quite sure, reads every word that is said in the House of Commons about it; I read every single word, and I am certain that every one of my colleagues did—every word that was said in the House of Commons about India while we were there. But if you ask me whether parliamentary action, whether if a series of resolutions, for instance, were constantly being passed by Parliament about India, they would be of any use, I do not think that would be a good thing at all. I would like to say one word more, if I may, and it is simply this: What I do feel is this, Parliament is divided into parties, and the expression of the opinion of Parliament is apt to be the expression of the opinion of party, and I think that there could be no more awful thing for India than that the Government of India should become subjected in any degree to the influence of party politics.

14,689. Following out now the influence of public opinion upon those responsible for military expenditure in India, would you agree in the opinion that the increase of taxation in India is difficult, and in certain circumstances may be dangerous?—I think that the increase of taxation in India is very difficult, and I can imagine that if it were carried out recklessly it might become in a sense dangerous.

14,690. I would submit to you that there is a difference between India and this country in that respect; increase of taxation in this country to meet admitted necessities is, to say the least, not by any means so difficult as it is in India?—Certainly, it is not.

14,691. Moreover, in England the Government, if it thinks an increased expenditure is necessary, appeals to Parliament; and if Parliament assents, it implies, or rather conveys directly, the assent of the nation to the expenditure?—Yes.

14,692. In India, on the other hand, the increase of expenditure is the act of the Executive Government, and the Executive Government remains alone responsible for the financial consequences, does it not?—Her Majesty's Government are responsible for the financial consequences; Her Majesty's Government are subject to Parliament.

14,693. But, so far as India is concerned, the Executive Government is responsible. The distinction I want to bring before you is this, that if the Government here think an expenditure necessary, and appeal to Parliament, that expenditure then becomes the act of the nation; and, therefore, there is less risk in adopting a policy than there is in India, where such policy remains the act of the Executive Government?—I do not quite see where the question of risk comes in in that connexion. Taxation in India is what may be called arbitrary taxation, the people do not vote their own taxation as they do in this country. Taxation is in that sense arbitrary, but that great mass, the people in India—what in this country is called the people of India, that extraordinary collection of numbers of different races with far greater differences between

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them than exist between any of the people in the whole of Europe—have never known from time immemorial any other kind of taxation than arbitrary taxation, taxation by the order of the Sircar; they look no further, and they obey, and there is no danger.

14,694. I am not going into the question of whether any other kind of taxation could be adopted. I merely want to draw this distinction, that in England you may fairly say that the nation assents to an increase of taxation, and there is comparatively little difficulty; in India it is the act of the Executive Government alone, and that makes it necessary for the Executive Government to be perhaps more cautious than is necessary here. Would you admit that?—No; I do not think it makes any difference in the need for caution. If you ask me whether, when you are governing people in an arbitrary way, it makes it necessary that you should be just to them, I say, yes, it makes it almost incumbent upon you that you should be generous to them; but such taxation as is necessary for the proper government of the country, I do not think there is any danger whatever attending, nor is there any necessity for greater caution for the reason that that taxation is ordered instead of being voted by the people themselves.

14,695. (*Mr. Mowbray.*) Is it strictly true that the imposition of fresh taxation is the act of the Executive Government alone? Is it not the case that fresh taxation has to be voted upon by the Legislative Council?—Certainly, it has to be voted in the Legislative Council; it is in that sense not the act of the Executive Government alone.

14,696. (*Chairman.*) Not absolutely, but the Legislative Council is not an elected Council?—It is not an elected Council; a certain proportion of them are official members; a certain number of the members of the Legislative Council are in a sense elected, that is to say, they are nominated by the Viceroy on the recommendation of certain bodies, such as the Chamber of Commerce of Calcutta, the land holders of Bengal, the Talukdars of Oudh, and so on.

14,697. (*Mr. Buchanan.*) The official members are in a majority?—The official members are generally in a majority; there is no law under which they are in a majority.

14,698. But they are in a majority?—They were in a majority when I was in India.

14,699. And they are bound to vote for the Government if ordered to do so?—That has never been laid down.

14,700. Well, pretty nearly?

14,701. (*Mr. Mowbray.*) Does the voting of fresh taxation include voting upon an increase of an existing tax? Could the Salt Tax, for instance, be increased without a vote of the Legislative Council?—I am afraid I cannot answer that question; I should have to refer to the existing law authorising the tax upon salt. I should think, probably, that Sir Andrew Scoble would know; I really cannot say.

14,702. (*Sir Andrew Scoble.*) The Government can increase the salt tax to a certain point by Order of the Executive Council?—That I cannot say.

14,703. It may be done under the Act of Council which establishes the salt duty?—But take, for instance, customs duties; we imposed customs duties while I was in the Government of India, and we had to pass a law, and subsequently another law modifying those customs duties. Each change of taxation required an Act of the Legislature.

14,704. I think you drew just now a distinction between the Executive Government of India and Her Majesty's Government. Am I right in supposing that you wish to convey that every increase of taxation, as well as the whole of the Budget arrangements, have to be approved by the Secretary of State before they can be carried out in India?—Yes.

14,705. And therefore your argument is that it is not merely the act of the Executive Government in India, but of Her Majesty's Government as represented by the Secretary of State?—Precisely; by the Secretary of State, who is responsible to Parliament.

14,706–7. (*Chairman.*) You have told us, I think, that you do not see the necessity for special caution in imposing taxation in India, as compared with England, because taxation is ordered instead of being voted by the people themselves. Do you consider an increase of the Salt Tax in India and an increase of the income tax in England to stand on the same footing in respect of the need for caution?—I see the necessity for greater caution in India, because of the great difficulty of increasing taxation in that country; but not on the ground of the method by which that taxation is imposed.

14,708. We are, however, agreed that there is a necessity for greater caution in India?—Certainly.

14,709. In your opinion would the military authorities in India appreciate this necessity for greater caution in taking measures which must lead to increase of taxation?—I have no shadow of doubt that the Commander-in-Chief and the Military Member of Council in India recognise it fully and thoroughly.

14,710. Let me give an instance of what I mean. A measure, the general wisdom of which is not contested, involves heavy expenditure. The military authorities have their attention fixed upon the efficiency of the service, and would naturally wish to carry out the measure. The Finance Minister points out that to carry it out at once means a deficit; but that if the working of the measure is spread over a series of years, this consequence could probably be avoided. Would the military authorities, as a rule, defer to such an argument?—I would ask whether that question does not rather assume that if it is considered necessary by the Military Member of Council and by the Commander-in-Chief that the expenditure should be incurred, and incurred at once, it must be paid out of the revenue of the current year? I think that there are other means of meeting expenditure which must be incurred, or ought to be incurred, at once, such as are used in this country very frequently, and in all other countries, namely, spreading out the expenditure over a series of years; incurring the expenditure at once, but spreading out the payment for it over a certain time, as is done here by terminable annuities, and so on.

14,711. I quite admit that that is a method of dealing with such expenditure. But what I wanted to trace out was whether, looking at the difficulty of raising taxation in India, you think the military authorities, when they have a considerable programme before them, would be anxious to defer to the warning of the Finance Minister upon the subject, and as far as possible to spread over a series of years that which, if it were carried out at once, might lead to financial difficulty?—They are not only willing to do it, but they have done it, and they constantly do it.

14,712. Now let me take the instance of the frontier railways. Do you think that the military authorities were willing to spread the construction of those frontier railways over a period which, no doubt, must have made the provision of funds for them easier?—Certainly the making of the frontier railways has been spread out over a considerable period, and even in the last winter I was in India—12 months ago—we discussed the matter, and, because there was not enough money available, we agreed to postpone expenditure on the Mari-Attock line running down this side of the Indus, a strategical railway. All I wish to say is that the Military Member of Council and the Commander-in-Chief discuss these matters, not merely from the point of view of soldiers as to what is necessary, but as members of the Government of India, equally responsible with the Financial Member himself for economy as well as for efficiency.

14,713–5. You made an interesting speech in the Legislative Council in March last on the Indian Budget, in which you reviewed the military expenditure during the period of your administration; and you mentioned in that speech several important changes in military organisation, either in progress, or, in your opinion, necessary. What would be the financial effect of such changes on future budgets? Of course I am only asking generally whether they would lead to a considerable increase of expenditure, or whether you see the means by which such increase might be avoided?—On the general lines I do not think that military expenditure in India will grow much; but that it can be reduced I do not think either. I went fully into that question in some of my speeches, and also in this minute which has been printed at page 157 of your appendices. Paragraphs 18 and 19 of that minute of mine are devoted to that question of future military expenditure; and I spoke at considerable length upon it also in the Legislative Council.

14,716–7. Could you state the effect rather more specifically in relation to the four heads of military

expenditure to which you called attention in that speech, viz., Home, India. Military Works, and Special Defence?—I am taking that speech, because it seems to me to afford a convenient opportunity for you to tell us something about the present condition and the progress of expenditure from your recent knowledge?—Of course, there is a portion of the Home expenditure which never came under my review in any way whatever; that is, all the portion relating to the charges of the War Office for non-effective services, and all those expenses. The only portion of the Home military expenditure which comes in any way under the control of the Government of India—I am speaking of military expenditure—is their indents for stores. It is very difficult to say whether those will diminish or whether they will increase; it depends very largely on the extent to which manufacture in India is increased. All our efforts have been directed, for many years past, to increasing the manufacture of everything in India, so as to employ money in India instead of sending it to England; and, as that system develops, so the demand for stores from England should decrease.

14,718. And I think in your speech you gave various instances where economies had been effected and were in course of being effected?—I did in several speeches in the Legislative Council, because these were matters in which the unofficial members of the Legislative Council took a good deal of interest, especially Mr. Playfair, the President of the Calcutta Chamber of Commerce.

14,719. But is there any particular instance that you would like to mention? I think you gave some interesting illustrations in the matter of ammunition, if I remember rightly?—Oh, yes; in my 1896 speech I said:—"India is now turning out "all her own small-arm ammunition, is making her "own cartridge metal, gun fittings for the latest "types of guns, powder, accoutrements, harness, and "saddlery, to keep pace with the extended needs of "the army in India; while under the able direction "of Captain Mahon, and of General Walker, the "Director-General of Ordnance, the manufacture of "steel and steel projectiles has been successfully "introduced, and by that a considerable saving has "been effected. The English price of Martini-Henry "rifle cartridges is Rs. 71 per 1,000, and we manufac- "ture them in India for Rs. 49 per 1,000. The English "price of Lee-Metford cordite cartridges is Rs. 108 "per 1,000, we manufacture them in India for "Rs. 83 per 1,000. Twelve-pounder shrapnel shells "cost in England Rs. 837 per 100, we manufacture "them for Rs. 710." Then there are other things, such for instance as boots; the whole of the boots of the European troops are now made in India.

14,720. With an economical result?—They are considerably cheaper, and they are every bit as good. Also a great part of the clothing of the troops is made in India; and now that we have given up cloth tunics, practically the whole of the European clothing will be made in India. I said in my speech: "In all cases "where Indian manufactures can be obtained as good "in quality as imported articles, and no dearer in "price, they have been substituted for imported "articles. The gain in 1891–92 resulting from the "use of stores manufactured in India, in substitution "for stores formerly imported through the Secretary "of State, was Rs. 5,37,000, and in 1894–95, "Rs. 16,50,000."

14,721. And that points generally to the probability of the indents for stores from home diminishing?—I think it does.

14,722. (*Sir Ralph Knox.*) That comparison of price, of course, depends entirely upon whether the accounts in India are made out on the same basis as the accounts, on which the ascertained prices are made out, at home? The English prices I have given are those actually charged to India by the War Office; the Indian prices are made out according to the rules prevailing in India, and, to the best of my belief, include both direct and indirect charges, such as rent of land and buildings, cost of administration of the Ordnance Department, &c. I believe that Home and Indian prices are made out on the same system.

14,723. I need not pursue the argument; but I shall have to prove to the Commission that they were not?—For the purposes of this comparison——

14,724. (*Chairman.*) At all events, it is the view of the Indian Government, that they can more usefully obtain their supplies in India; and to that extent the indents for stores from home are likely to be diminished?—Yes.

14,725. That brings us on to the changes in India itself?—Do you mean the Indian Budget Estimates?

14,726. I am taking now your speech upon the Budget in March 1896?—There I dealt with four estimates, namely, Home Budget Estimates, the Indian Budget Estimates, the Military Works Estimates, and the Special Defence Estimates.

14,727–8. You made some very interesting remarks upon the changes in army organisation which were going on, with their financial effect, such as mobilisation, further supplies of transport, and so forth; those are points of great interest from the military point of view; also of great interest from a financial point of view as to their present effect, and as to their future effect, on finance. It was with reference to that that I wished to call your attention to it?—I am afraid it is rather long. At the end of my speech I gave a sort of summary of what had happened during the five years.

14,729. The summary is what I am calling your tention to?—The question, I think, that you really want to have from me is the question, is it not, as to whether there is likely to be further increase or decrease?

14,730. Yes. At the close of your speech you point out certain reforms which are in progress and certain reforms which you think are necessary. If those are carried out, what would be the financial effect of them?—The only reforms which I have said I thought were of importance, besides those which practically had already been carried out, were an increase to the number of British officers for the Native army, and there is no doubt that that, if it is done, will be a very considerable source of additional expense; I think, myself, that it is essential that this should be done. Then I mentioned an increase to the garrison artillery in India; this is not large, but still it would mean some additional expenditure; then an increase in the amount of transport camels, which would also be a source of expenditure. Then, on the other hand, in one way or the other, there would be a diminution.

14,731. Can you form any idea of what the increase in the number of officers would cost?—Oh, no; because really that had never been mentioned in Council before; I was leaving India, and I thought it right to place it on record that I thought this should be done. Sir George Chesney, my predecessor, had left a minute behind him stating that he thought it ought to be done; but it would require to be gone into with very great care indeed.

14,732. Then, in regard to the increase of transport animals, is that likely to lead to much increased expenditure?—A certain increase of transport has been given during this current year from the money which I obtained for mobilisation, and I expressed my opinion that it is desirable that that should be still further increased. That might mean a few lakhs a year; perhaps five or six lakhs additional a year.

14,733. (*Sir Donald Stewart.*) But I think that everything that did not involve recurring expenditure, was sanctioned?—The Secretary of State sanctioned a certain amount of transport which did involve recurring expenditure. And further, I wish to express my opinion that the Secretary of State's criticism upon our proposal was a very wise one, and the economy which he suggested was very sensible. I say that because I myself made the proposal, and the Secretary of State thought that we should not buy the whole amount of transport which in that despatch we had recommended should be bought; and I think that that decision was a much better one than the original proposal which I made.

14,734. (*Chairman.*) So that occasionally the Secretary of State's criticism may be useful?—Yes; it is my desire to bring that out, which makes me say this.

14,735–6. (*Sir Ralph Knox.*) The officers you would propose to add would be mostly junior officers, would they not?—Yes, mainly junior officers.

14,737. Do you think it possible to touch the rates of pay that are given to European officers in India?—Oh, no; quite impossible; you have just increased them all by exchange compensation, on the ground that the officers were so underpaid that they really could not live.

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14,738. On the ground that the present rate of pay should be preserved as much as possible; was not that it?—I have gone into the whole of the thing in one of my speeches in Council; the basis of the pay of all the military officers serving in India is the pay of the same ranks in England converted at the rate of 2*s.* 6*d.* to the rupee; and the allowances were fixed in rupees at a time when the commercial value of the rupee had never fallen below 1*s.* 11*d.*, and when the Government rate of exchange had never fallen below 2*s.*

14,739. But the rates of pay for the higher appointments in India are admittedly very far in excess of those of similar appointments out of India, is not that so?—You mean in excess in actual amount of money?

14,740. Yes?—I suppose they are; yes.

14,741. And they were fixed, including allowances, very many years ago?—Yes. I stated in my speech in the Legislative Council in 1894 that the sterling value of the pay of the officers in India had fallen 50 per cent., and that the sterling value of their allowances had fallen 37½ per cent., while the cost of a British officer's living in India had risen rather than fallen. There was a general rise in the price of British goods, and there was ample evidence to show that prices in India were rising rather than falling, as apart from British goods. It was in these circumstances that the increase of pay in the form of exchange compensation allowance was given.

14,742. (*Chairman.*) Next, passing on to the military works budget, do you anticipate any considerable increase under that head?—I think that on military works there need not be a considerable increase, although I should myself be very glad to see a larger expenditure incurred each year, if it could be spread out by some means as is done in this country, when they want to build barracks. For instance, take the water supply for the troops in the cantonments in India—we are only able to do half of one cantonment, or one cantonment a year, or something of that sort, and some of these cantonments will be 20, 30, or 40 years before they get a pure water supply; whereas, if we could take a lump sum of money, and do all the cantonments in one or two years, and spread the payment over a number of years, you would not have these poor fellows dying of enteric fever and cholera because they have not got a pure water supply; and I should like to point out, in connexion with that, that India is, so far as I know, the only nation in the world that has carried out the whole of her military expenditure without a loan. Every single farthing of military expenditure each year is paid out of the year's revenue. Every nation on the continent—France, Germany, Italy, Austria, Russia, Belgium—has got an extraordinary Budget, in addition to her ordinary military Budget, money which is provided not out of the year's revenue. In this country at the present moment there are Bills before Parliament for borrowing money to carry out works. I should add that the heading, "Special Defences," as far as works are concerned, was ordered to be closed before I left India. There is still some small amount due under that heading for armaments. When that is paid the heading should disappear.

14,743. (*Mr. Courtney.*) I should like to interject a question as to the answer you gave just now to Sir Ralph Knox. You said that the sterling value of the pay had decreased 50 per cent., and the sterling value of the allowances 37½ per cent.?—Yes.

14,744. But the cost of living had increased slightly?—The cost in India, as apart from that sterling value, has increased.

14,745. Now, just let us understand what you mean by the cost in India. You mean if the military officer spent a certain number of rupees, say 10,000 rupees, before, he spends more rupees now?—He spends more rupees.

14,746. How much more?—When I say that the cost of living has increased, I mean that rent has increased, servants' wages have increased, the price of all food supplies has increased; perhaps clothing has not increased, that is, Indian-made clothing; but the price in India of all those things which are the necessities of an officer's life—his rent, his servants, his food—has increased.

14,747. But may we say, perhaps, that what would have cost him 10,000 rupees now costs him 12,000 rupees; I do not care about the figures, but something like that?—I cannot really say what exactly the amount would be, but there is a considerable rise, a very considerable rise. What would have cost him, say, 200 rupees now costs him 220 or 230 rupees, or something of this sort.

14,748. Suppose we say 10,000 and 12,000 rupees, as I say; but the 10,000 rupees turned into sterling formerly meant 1,000*l.*?—Yes.

14,749. Now 10,000 rupees turned into sterling would be 600*l.*?—A little more than that.

14,750. So that the sterling value has decreased? I only wish to point out that you attached the word sterling to the pay and allowances which had decreased, and then you say that the cost of living had increased, that is to say, in rupees; but valued in sterling, that has decreased also?—Perhaps I might read you the words I used. "The basis of pay of all the military "officers serving in India is the pay of the same ranks "in England converted at the rate of 2*s.* 6*d.* to the "rupee, and the allowances in rupees were fixed at "a time when the commercial value of the rupee had "never, I believe, fallen below 1*s.* 11*d.*, and when the "Government rate of exchange had never fallen "below 2*s.* Now, with a rupee at or below 1*s.* 3*d.*, as "it now is, it is evident that the sterling value of the "pay of these officers," by which I meant the power of converting this money into pounds sterling—"has "fallen 50 per cent., and that the sterling value of "their allowances has fallen 37½ per cent., while I think "that no one can deny that the cost to a British "officer of living in India has risen rather than fallen, "that there has been a general rise in the price of "British goods, and that there is ample evidence to "show that prices in India are rising rather than "falling as apart from British goods. Under these "circumstances, the rate of their pay, having fallen 50 "per cent., and of their allowances 37½ per cent., so "great was the hardship from which officers were "suffering that some measure of relief had become "not only an act of the most elementary justice, but "an act of absolute necessity."

14,751. But that language wants correction, you will allow, I think?—In what way?

14,751*a*. The ordinary reader or hearer following your words that the sterling value of pay had diminished 50 per cent., and the sterling value of allowances had diminished 37½ per cent., that the cost of living had increased, would suppose that you referred to the sterling cost of living?—Oh, I do not think so. No one in India would suppose that.

14,752. But everybody here would?—No one in India would for a single instant.

14,753. If the word sterling is put in, it would not be true?—There is no such thing as sterling cost to a British officer living there.

14,754. It is a way of measuring the thing. If we measure the cost of living in sterling it has not increased; it has diminished?—When we speak in India of the sterling value of any sum in rupees, we mean the amount of sterling money—pounds sterling—which that given number of rupees will bring us.

14,755. I quite understand that?—The expression which I use here is that the sterling value of their allowances had fallen, the sterling value of their pay had fallen; that would mean to any one in India that for the purposes of conversion into sterling money their pay and their allowances had fallen by that percentage. I then go on to say—and this is in answer to an argument which had been used that although the rupee had fallen for the purpose of exchange into sterling, if you wanted to remit it from India to England, the price, the cost of living, in India, had not increased, because in India you spend rupees, and the cost there had not increased—I go on to say that the sterling value of their pay and of their allowances having fallen, I think that no one can deny that the cost to a British officer of living in India has risen rather than fallen.

14,756. It is quite enough if you allow that you meant by that the cost in rupees?—Certainly, I meant the cost in rupees.

14,757. And if you were to say the cost of living measured in sterling, we should have to say that it had decreased?—Oh, if you said "measured in sterling," yes.

14,758. (*Sir James Peile.*) The officers are paid in rupees; they have to give more rupees for a sovereign; and also more rupees for a horse, or for the pay of

servant?—Precisely; there is another thing that has gone up enormously—the price of ponies.

14,759-60. (*Chairman.*) May I ask, in order to understand this point fully, is the officer's pay fixed in sterling and converted at a certain rate, and has the amount been altered since, we will say, 1870?—No, the pay has never altered. I will read you this extract from one of my speeches:—"The pay of the officers of the "Honourable East India Company's service was fixed "in the last century. It was composed of two parts. "It included British pay, converted into Indian "currency at the rate of 2*s.* 6*d.* to the rupee, together "with certain allowances fixed in rupees. We have "three classes of officers now. First, the officers of the "Indian Army; the few of them who still remain "receive exactly the same pay and allowances as in the "old company's days. Secondly, the British officers. "The pay and allowances of the British officers were "fixed in the days of the Honourable East India Com-"pany; the principle followed was to make their pay "and allowances, as a whole, equal to those of officers "of corresponding rank in the Company's service; this "equalisation was carried out in 1797 and 1811. While "as regards the third-class of officers, that is, the "officers of the Staff Corps, their pay was fixed in 1861 "at identically the rates of the lower scale which had "for many years been in force for infantry officers of "both the Honourable East India Company's service "and the British service when not in the field, and "when serving within 200 miles of the seat of the "Government of each Presidency," which is the basis, as I said before.

14,761-2. Therefore, we will say, where an officer in any one of these categories received 1,000 rupees in 1860, he receives 1,000 rupees now. And so far as he spends it in India, the only question is whether the price of goods in India and things in India has risen?—So far as he spends it in India, yes; it is perfectly evident.

14,763. Do you think that prices in India have slightly risen?—They have risen considerably.

14,764-5. Are you quite sure upon that point? We have had evidence which, I think, points towards a slight increase in the cost of Indian servants, and so forth; but I do not think it has been shown that it is a very large one. I think, perhaps, the same might be said of prices. I think Mr. Courtney will back me up in saying that, before the Indian Currency Committee, there was a question whether prices had gone up; and the evidence before us would hardly allow of its being said that there was a very heavy increase?—I do not think I have said that it was a very heavy increase; I said in my speech, "Have risen rather than fallen." I have now said "a considerable increase."

14,766. (*Mr. Mowbray.*) Besides the expenses which you have mentioned, which are all incurred in India in rupees, there is also an expenditure, I suppose, incurred by a British officer in India for goods which are necessary to him, which are brought from England, and of which the price has risen in rupees owing to the fall in exchange?—Yes. There is a general rise in British goods.

14,767. (*Chairman.*) But the rise has not been very great?—And then, of course, the heaviest loss of all is to the married officer, who has to send home money for his wife and children.

14,768. Your speech shows how much consideration you have given to economies which may counterbalance increases in other directions, rendered necessary by the advance in military science. Are we at the end of such economies, or do you think there are like possibilities in the future?—I think savings are always being made in one direction or another.

14,769. And, on the whole, must we expect the increase in military expenditure to continue?—It is most extraordinarily difficult to forecast; it is impossible to say what the progress of science will do in the way of increasing the cost of warlike stores, and so on. The price which we now have to pay for guns, and so on, is something enormous, and I cannot forecast in any way what will be the increase due to that. I can see no great reason why the normal military expenditure of India should rise to any great extent beyond what it is now; on the other hand, I do not see any probability of its decreasing.

14,770. Apart from that question of the increase of the number of British officers in the Native Army?—But that has not been approved by anybody; that is merely a *ballon d'essai* of mine, which has since been taken up in Parliament, I see, and the Secretary of State, I believe, has ordered a committee to consider the question.

14,771. Frontier expeditions must very much disturb the financial programme of the Finance Minister; they would appear to have become more frequent of late than in former years. Do you regard them now as a permanent item of military expenditure?—The number of minor frontier expeditions must necessarily, I think, be less in future than it has been in the past, because we are rapidly reaching the point where all the minor tribes will have come directly under our control. For instance, on the North-West Frontier there are really only about two places left where there can be any future serious disturbance—of course I am not speaking of the possibility of a war with Afghanistan. In Burmah, again, we have now got our frontier pretty well settled, and if Viceroys will only be firm enough to prevent an indefinite extension towards the north, because of some little tribe giving trouble, I do not see why there need be any more frontier expeditions in Burmah.

14,772-3. (*Mr. Courtney.*) Has not that kind of language been used by your predecessors very often about Viceroys being firm enough, and the present frontier being satisfactory?—I do not know; I am not aware of it having been used before. It only occurred to my mind at this moment to use it in connexion with a particular proposal which was made for an expedition on the Burmah frontier by the Chief Commissioner of Burmah, which I most strongly opposed and resisted on the ground that it was the opening up of an indefinite extension of the frontier, and the Viceroy on that occasion was firm, and the expedition was not allowed.

14,774. (*Sir Ralph Knox.*) To what extent is Upper Burmah at the present time self-supporting as regards its expenditure, do you know?—I cannot tell you to what extent; but I think you would find it in this financial statement of Sir James Westland.

14,775. However, if not self-supporting, it will, I suppose, within measurable distance be expected to be so?—I should think so. Of course, Lower Burmah does very well; it is Upper Burmah, which is newly acquired and is a very sparsely populated country, which does not at present pay its expenses; military, or rather police, expenses in Upper Burmah have been enormously heavy.

14,776. (*Chairman.*) I think that in the course of your evidence, we have gathered your view on the evidence put before us by Sir David Barbour and Sir Auckland Colvin; but I do not think that special attention was called to the evidence of Lord Cromer, which no doubt you have read. I think at this present moment I need only ask you whether there are any points to which you would like to call our attention or make any remarks upon, in what they have said?—No; I have read the evidence of Sir Auckland Colvin and Sir David Barbour and Lord Cromer, and I wish to express my strong concurrence with the general lines of the evidence given by Lord Cromer.

14,777. Looking to the financial stability of the Indian Empire, do you think the Financial Department is strong enough to secure due consideration of financial dangers?—Yes, honestly, I do; but it depends upon the man—that is the whole thing. I cannot say anything else.

14,778. We have come now to an important question—the question of the apportionment of charges between the Home Government and the Indian Government. I do not know how far you will feel able to discuss the question in detail, but I may point out to you the position at which we have arrived. If you will turn to Volume II. of the Report you will see at page 364 a memorandum put in by Sir Henry Waterfield, of which I will read paragraph 14: "It is "not desired, on the part of the India Office, to re-open "the calculations upon which the actual capitation "rate"—that is the 7*l.* 10*s.*—"was arrived at, after "examination in great detail by Lord Northbrook's "Commission. Nor does it appear necessary to "minutely inquire whether the establishment in India "has been maintained at the prescribed strength. "It must at one period of the year, after the reliefs "have been completed, be above strength, and six "months later below strength, in order to maintain "the average, and if it fell materially below the "prescribed number, the Government of India would "make representations." That we took to mean that in the main the Indian Government acquiesced in that

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7*l.* 10*s.* rate; but they go on to say that, while they do not wish to re-open the calculations, "there are general "principles of great importance to which it is desired "to invite the attention of the Royal Commission, as "militating against the equity of a merely arithmetical "division of the charges." And then the memorandum goes through a number of these considerations. For instance, the heavy charges incurred in consequence of the abolition of the local European army; the cost of the recruiting; the cost in reliefs which is entailed by short service; the consideration that the creation of a reserve is more useful to England than to India, and that India is a good training ground for the English Army; the fact that India has been charged with her share of the cost of many changes in organisation; the cost of pensions consequent on the abolition of purchase; deferred pay; and the fact that of the pensions paid by India a great portion are spent in England and not in India. Now those are the heads which I understand the memorandum had in view when it said "There are general principles of great "importance to which it is desired to invite the atten-"tion of the Royal Commission." Against this, on the other hand, must be placed some calculations made by Sir Ralph Knox which you will find at page 378. The upshot of that is that Sir Ralph Knox, as I understand him, has, on behalf of the War Office, put forward certain calculations which, in the view of the War Office, show that considerable consideration has already been paid to India, that the cost to England is considerably more than that which India now pays. That, I think, generally sums up the question on the two sides. Now I do not wish to trouble you with each of these headings, unless there are points on which you would like to remark, and I would ask you in what form you would like to give us your opinion on this question?—My Lord, I might say in the first place that I am absolutely unable to go into any of these questions in detail. The year before I arrived in India as a Member of Council, the Government of India had sent home that despatch of the 25th March 1890, which is given here in your Appendix at page 261, accompanied by a memorandum drawn up in the Military Department, in which they stated their case. That case was before the Secretary of State; the Secretary of State took no action upon that particular document, but Lord Northbrook inquired into the case generally, and, beyond reading that document and forming my personal opinion that there was a *primâ facie* case for inquiry by an independent body, I have never committed myself to, nor have I ever stated, any one of these arguments put forward by the Government of India. I joined the Government of India in proposing that the whole matter should be referred to a Royal Commission, and I thought it was just a question for experts on both sides to argue before that Royal Commission; I am not prepared to go into any one of those cases in detail; but I am, if you will allow me to do so, prepared to express a strong opinion that this matter between England and India is not one which ought to be dealt with as a question of detailed accounts at all. The principle upon which these accounts are based is virtually this: that India is to repay to England all that it can be proved England would not pay but for the military requirements of India. That, I think, is practically what Sir Ralph Knox says in the first answer of his evidence.

14,779–80. Sir Ralph Knox puts forward a calculation of the cost of the home services of the British regiments in India to England according to his view. That is put at page 378?—Quite so, but I was looking at the answer of Sir Ralph Knox, I think, to your Lordship's first question. It is at page 485: (*A.*) "Would you define what you consider to be the "actual cost to the British Exchequer of main-"taining a force in India?—According to my view "the actual cost consists of every expense incurred at "home which would not be incurred if it were not "necessary to send the reliefs and drafts to India."

14,781. You observe the point that he puts forward in answer to my question is "the actual cost to the "British Exchequer"?—Quite so.

14,782. It is not the amount that either the War Office or anybody else is proposing to charge India?—I perfectly understand that; but, as I understand it, the basis of these charges generally is that India should repay to England what it can be proved that England would not pay but for the military requirements of India, subject to what, I think, is called some sort of debate. Well, my personal opinion is that it is altogether wrong that there should be any such theory as that at all; and if I might be allowed to give my reasons for that opinion. In the first place, I would say that the army in India is largely in excess of the requirements for the preservation of internal order in India. The strength of the army in India is calculated to allow of a powerful field army being placed on or beyond the Indian frontier, in addition to the obligatory garrisons required for keeping order in India. The necessity for maintaining in India that powerful field army, in addition to the obligatory garrisons, is caused by the approach of a great Military Power into a position which enables her to threaten directly Afghanistan, to which we are under treaty obligations, and indirectly to threaten the security of India. The foreign policy of India is directed entirely from England by Her Majesty's Government, and it is part of British foreign policy generally. The object of British foreign policy generally, I believe, is to secure British rule over the British Empire. If it were desired to maintain British rule in India only for India's sake, then I think it would be fair to make India pay to the uttermost farthing everything that could be shown was due to Britain's rule over India; but I cannot but feel that Britain's interest in keeping India under British rule is enormous. India affords employment to thousands of Britons; India employs millions of British capital; and Indian commerce is of immense value to Great Britain. Therefore it seems to me that India being held by Great Britain, not only for India's sake but also for Great Britain's sake, Great Britain should pay a share of the expenditure for this purpose; and in estimating what that share should be I think that England should behave generously, because in the first place England is a rich country and India is a poor country. It is not altogether a fair basis of comparison of their comparative richness and poorness, but it is one that is worth bringing to notice, and that is the income tax of India as compared with the income tax of this country. In India you have an income tax of two and a half per cent., about 6*d.* in the pound. I cannot lay my hand exactly on what that income tax produces, but I believe that the 6*d.* in the pound produces less than 1,000,000*l.* sterling; in England every 1*d.* produces considerably over 2,000,000*l.* sterling. Moreover, Indian taxation is chiefly derived from Land Revenue and Salt Duties, and those fall ultimately on the poorest classes. Another reason why I think England should be generous to India is that India has no representation. I believe that it is an absolute necessity that she should have no representation under her present conditions; but it seems to me that where a nation is practically arbitrarily governed, the governing power should behave generously to the nation it so governs. Now it has been said that England does contribute to the military expenses of India, even if she charged her to the uttermost farthing of these expenses which come into that account. It has been said that England contributes because she has troops in England in reserve available for service in India. I would wish to state that the Government of India is perfectly aware that, while it is, of course, impossible to forecast the precise conditions under which India might be called upon to mobilise, it is far from improbable that the same circumstances which necessitate the mobilisation in India might also render it impossible for this country to part with any considerable portion of the small number of the regular troops in the United Kingdom. It is within my own knowledge that there is no misunderstanding between the Government of India and the War Office on this point. I would wish, further, to say that I believe—I can state positively that it was the case a few years ago, and I believe it to be so now—that all these troops in England are told off definitely to places in the scheme of home defence. That seems to me to be an answer— those two facts—to the argument that England by having troops in England, contributes to India's defence. It has been said that, but for India, we could have a smaller army, but a better one. Now certainly, but for India, we could reduce the army by the 73,000 men that there are in India, but I would point out that the first effect of that would be to reduce our reserves at home by one third roughly. I do not say that is an exact statement, but it is a simple matter of arithmetic that if an army of 225,000 men gives you a reserve of 75,000, an army of 150,000 will only give you a reserve of 50,000.

14,783. (*Sir Ralph Knox.*) Assuming that they serve the same period?—Assuming that they serve the same period.

14,784. That is an assumption?—Now, you have been told that these reserves are the backbone of the British Army; that the young soldiers who are in this country are not fit to be put into the field, and that these reserves are the backbone of the British Army. If we were to give up India, reducing our army by 73,000 men in consequence, and unquestionably reducing the reserve, if not by the full third, certainly to some extent, is it humanly probable that any Government would still further reduce the army in Great Britain, which has already been rightly described as the small number of regular troops in the United Kingdom? Therefore, it seems to me there is no ground for stating that England contributes to the expenses of the military maintenance of India by keeping troops in this country who are available for service in India; or that she could reduce her army in this country, and so have a better army, if she gave up India. I should like to state here, in regard to the question of the reserves being available for employment in India, that I hold most strongly the opinion that, so far as any danger of mutiny or internal revolt is concerned, the British army in India which is maintained by Indian revenues, is amply strong enough to deal with any such revolt. The time, and the only time, that it seems to me India would wish to call upon England to send her more troops is the very time when it is far from improbable that England would not be able to send those troops. I should like to express my own opinion—I was for 5½ years head of the Intelligence Department before I went to India—that, in the present state of political balance in Europe, if there was to be a great danger of war with the Power which is on the northern frontier of India, there would not be the slightest chance of one single man being sent out of this country to the help of India. Then it is said that England contributes to India's defence by her Navy; and that, it seems to me, is perfectly true as far as the defence of Indian commerce is concerned.

14,785. (*Chairman.*) I beg your pardon for interrupting; but would not this question of the Indian navy and the support given by the Imperial Navy to India come in rather more conveniently upon a subsequent question which I may have to ask you, namely, whether you wish to make any remarks upon Captain Hext's evidence?—I think, my Lord, it is part of this general argument that I am using now. It is quite true that England largely contributes to Indian defence by her Navy, so far as the defence of Indian commerce is concerned, and so far as defence against attack by sea is concerned; but the Navy contributes nothing to the defence of India's land frontier, as no amount of sea power could prevent the great Power which is on our northern frontier from assembling there by land. And, therefore, holding, as I do, these views, I think that the whole of those accounts which England has against India, the Military Accounts, should disappear. I think it is perfectly right that India should pay, because she can afford to pay, for every soldier that goes to India from the day that he leaves these shores to the day that he comes back again, and for all her stores, for everything that she purchases in this country, and for her own army; but I think it is utterly wrong that she should pay one single farthing to England for all these charges which are the subject of these accounts. I think if England paid the whole of these charges she would be dealing—I do not then think she would be dealing particularly generously by India—but I think she would only be dealing fairly by India. And there are other charges, not Military and Naval charges, which I also think should be borne by this country, although I will not go into them, unless I am asked to do so. For myself I would abolish the whole of this question of accounts between England and India altogether. I should say that India should make a contribution to England, not to go into either the Naval or the Military estimates as a receipt, but to be paid direct to the Treasury, for what England does for India by sea, and that she should not pay one single farthing for what England is supposed to do for her by land.

14,786–7. Then, I take it, that, as a practical question, 7*l.* 10*s.* per head, which is the present capitation rate, and, I presume, the sum paid for non-effective charges, should be swept away?—Not the sum paid on account of non-effective charges—the contribution to the War Office.

14,788. Both the non-effective and the effective charges should be swept away?—I do. I think they should be swept away.

14,789. I only want to get your view. Both the non-effective and the effective should be swept away?—I think so.

14,790. And in support of that view you hold that the Indian Government should only pay for keeping order in India?—I have not said that, my Lord; I say she pays for an army of 70,000 or 80,000 men more than she wants to keep order in India, and I would let her go on paying that.

14,791. But I understood you to say "keeping order in India" in the sense of guarding against mutiny; and that you were drawing a distinction between expenditure she would have to undertake for the purpose of keeping order within her own territory, and expenditure on any expedition or any service she might have to undertake, say, against Russia?—I say, my Lord, India keeps an army now nearly 50 per cent. in excess of what she need keep if it were not for matters beyond her frontier. I would let her pay for that army; I would let her pay to defend her own frontier, but I would not let England have no payment to make on account of that frontier.

14,792. You hold that India should pay for a sufficient army to repel an invasion on her frontier, but that towards this army England should make a contribution which, according to the view of the War Office, amounts to something like 1,100,000*l.*?—Yes.

14,793. And that should be the contribution of England on account of what you consider Imperial policy?—Well, I say this is what I think. On the other hand, I think it would be perfectly fair that India should pay a fair contribution, a good contribution, for what the Navy does for her.

14,794. We will come to that afterwards; but just for the moment I should like to ask you whether a power like Russia on the borders of India is not a danger to India, even if England was not behind her: is it not so?—Distinctly so.

14,795. Exactly, and therefore India is very much interested, like any other power, in being able to keep up a sufficient force to keep her territories intact?—Certainly she is very much interested, but she is not alone in being interested; that is the pith of my argument.

14,796. I quite understand the distinction you draw; but you do not think that, primarily interested though she is in keeping her territories intact, she ought to pay the whole cost of that force?—I think she ought to pay the great portion of it, but certainly not the whole, because she is not the only one interested in keeping another great power out of India.

14,797. I suppose it might be said that if England had no connection with India, she would not care what happened on the Indian frontier?—If England had no connection with India—no, I suppose not—you mean if England had no connection with India, England would not care what happened then.

14,798. Quite so, any more than she cares what happens in Persia or Thibet or anywhere else?—Quite so.

14,799. Therefore the primary interest of India, like every other state, is to be able to keep her own territories intact, is it not?—That, in my opinion, is the first thing to be done before you spend a lot of money in developing a country or anything else—to make sure that it is safe—to keep the country safe.

14,800. Then, next to that, you do not think that, if an emergency arose, India could rely upon England being able to send her troops, and that therefore the reserve of England is really not a valuable reserve?—I have stated to you exactly what I think on that point, and I express my own firm opinion—and that opinion may carry some weight, because I was, as I say, 5½ years head of the Intelligence Department, and five years in India, and have seen a great deal of what has been going on in the way of confidential papers—I feel perfectly certain, in my own mind, as long, at all events, as the balance of power in Europe is what it is now, that if there were to be a necessity for a mobilisation on the Indian northern frontier to resist a great power there—the great power which is there—that they would not at that time move a single man from England to the help of India. They would not dare to do it.

14,801. The question of sending help to India has only once arisen; but do you lay no stress upon the fact that in that emergency England sent out 40 battalions?—Which emergency was that?

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14,802. The Mutiny?—The Mutiny has not anything to do with the great power threatening the frontier of India: it is an entirely different subject.

14,803. No, pardon me; surely, when we are speaking of keeping the territories of India intact, the case of the Mutiny is a very serious one. Without demurring to your view as to what might happen in the case of a great European war, I would call your attention to the fact that on one occasion, the greatest crisis, at all events for a very long time, that India has been through, the English battalions were ready, and went to her aid. That is an instance in which, in a crisis of great importance to India, she has been able to call upon the reserve in England?—My Lord, I served in the suppression of the Indian Mutiny, and I remember it very well. I have already said that, in my opinion, the condition of things now in India is so absolutely changed that the European army now existing in India, and maintained there by India solely out of Indian revenues, is amply sufficient to deal with any revolt or mutiny, without calling for more troops from England; and therefore I rule any charge against India on that account, from my point of view, out of the question altogether.

14,804. (*Sir Ralph Knox.*) I thought you said "had "been more than sufficient for that purpose?"—The expression I used is "amply sufficient."

14,805. (*Mr. Courtney.*) That force includes the 75,000 British soldiers?—That includes the 75,000 we have now. In the days of the Mutiny I do not remember what the proportions were, but they were something like six to one of Native troops to British troops. The artillery was in the hands of the Natives, the arsenals were in the hands of the Natives. Now the proportion throughout the whole of India is two and-a-half to one of Native troops to British troops. The Natives have not got a gun, a single artillery gun, in their hands with the exception of a few little mountain batteries; and the whole of the arsenals are in the hands of the British troops. To my mind you have got a condition of safety now in India which makes it utterly improbable that India should require soldiers from England to maintain internal order in India. The occasion when India would require soldiers from England is on the occasion of her northern frontier being threatened by a great power; and that is the occasion when England would not be able to send them; and therefore it is that I say it is not right to say that England contributes by keeping a reserve for India.

14,806. (*Chairman.*) Of course, in a time of great emergency partners, like England and India, must make the best they can of their means; but is it not stating the case rather strongly, that under no circumstances, in no emergency of that kind, could any assistance be given from here?—I desire to express my conviction that—I am obliged to keep repeating this—with such a balance of power as there is now in Europe, and such a condition of alliances, if India were to be threatened by Russia on her northern frontier, and there were imminent probability of war, this country would not send one soldier out of England.

14,807. (*Sir Ralph Knox.*) But Russia might be vulnerable in another point?—This country would not send one soldier out of England, Sir Ralph Knox; neither to India nor anywhere else.

14,808. (*Chairman.*) But, on the other hand, you would be prepared to make a contribution to the Navy?—Certainly.

14,809. (*Mr. Courtney.*) One moment before we leave that point; does our history at the beginning of this century quite support your view?—Our history at the beginning of this century? I am afraid I must ask for a little further explanation of the question.

14,810. What I understand you to say is this, that in the event of India being assailed or threatened with attack on the North-west, the situation in Europe would be of such a serious character that England would be unable to render any military assistance?—Yes; not unable.

14,811. Well, that we should not?—That the country would not.

14,812. We would not?—The country would not.

14,813. From motives not of inability? you would not say that?—I do not say absolute inability.

14,814. But from the feeling of the necessity of keeping things secure at home?—That is the point.

14,815. Very well; at the commencement of this century was not our position in Europe at least as full of danger as it would be under the contingency you suppose, and did we not afford some assistance?—To whom?

14,816. To the East India Company in India?—Yes, a certain amount.

14,817. At the same time, under different forms, under different organisation, were we not at the same time fighting in Europe and in India?—We were, with very small bodies of men.

14,818. That is your answer; the forces engaged were so small?—The forces engaged in those days were very small indeed; the conditions of steam did not then exist; the conditions in the eyes of our military advisers, the Government's military advisers, were then so different to what they are now; that is to say, the conditions favouring the possibility of danger to this country are much greater now than they were then.

14,819. Do not some of these conditions tell both ways?—They may do; that is one of the problems that has to be solved.

14,820. You feel persuaded that we should not run any risk now?—I feel persuaded of it from what I know was the feeling during those years that I was at the head of the Intelligence Office, and from what I see and read, even in the debates of Parliament, at the present day, within the last week.

14,821. (*Chairman.*) You think that no effort would be made to save the Indian empire?—I do not say that no effort would be made to save the Indian empire.

14,822. You come very close to it; do you not?—Well, I am not sure that it is not very close to it, but I should have to think a little about that. I do not say that after a certain length of time—after, perhaps, this country had completely established her supremacy at sea, had swept the seas, if she had succeeded in doing this, and after all possible danger of attack upon this country had disappeared—I do not say that then she might not send troops out to India; but it is a question whether it would be in time, and, therefore it is, knowing all this, that India does keep up this great force in India.

14,823. (*Mr. Courtney.*) Yet our population is relatively bigger now than it was at the commencement of the century; we had not swept the seas at the very commencement, at the time of Assaye?—No; we had not.

14,824. And yet we did manage to send some important military supplies?—Oh yes, I quite grant you that it has been done, but I may say I am quite convinced in my own mind that it would not be done now.

14,825. (*Mr. Buchanan.*) The military forces opposed to us now would be very large; the disproportion between our total military force and that of European powers is much greater now than it was then?—I do not think the disproportion of forces on the frontier of India would be so very great, because I do not think that very enormous forces can be moved in that country from difficulties of transport.

14,826. (*Chairman.*) I do not think the disproportion of the forces can be said to be so very much greater, if you think of what the forces of the different Powers were at the commencement of the great European war. Our forces at that time, you remember, were very small?—Very small indeed.

14,827. Now passing on to the question of the Navy; you would make a contribution towards the Navy?—Certainly I would.

14,828. In what form would you make that? You have explained that it would be a contribution to the Exchequer; but on what sort of basis would you go? At present, as you know, there is a sum granted for the maintenance of certain ships that are employed?—I certainly should not have any question of account in this matter. The whole of this dispute between England and India, I think, over the naval contribution arises from the fact that up to the present day it has always been so very much a matter of account for certain ships, and so on. Lord Rosebery, in his award, suddenly changes all that, and he says India ought to pay 100,000*l*. Well, he is doing the thing that I would do, only I would, at the same time, sweep away all those military charges. I do not think England helps India too much even if she pays 1,100,000*l*., or if she pays 1,250,000*l*. indirectly in this way on behalf

of India; I do not think it is any undue advantage to India for England to pay for her share of the defence of India against foreign invasion. On the other hand, I do not think that 100,000*l.* is nearly enough for India to pay for what the British Navy does for her.

14,829. I understand that you would sweep away the account; but if a sum is to be fixed, it must be fixed on some kind of basis. Supposing our Navy estimate now to be 20,000,000*l.*, what sort of form would your contribution take?—I think my contribution would take the form of a fixed sum, payable by India to England yearly, based upon what India can reasonably afford to pay for that great help and protection which she gets from the Navy.

14,830. Of course, when you come to what India can afford to pay, that is somewhat difficult to arrive at. But what I want to ascertain from you is, what would your idea be, would it be 500,000*l.* or 1,000,000*l.*?—I say sweep away these military charges and call upon India to pay 500,000*l.* a year for what she gets from the British Navy, not counting the British Navy as merely the few little ships there are in the Persian Gulf or in the Indian command, but the whole of the protection which she gets for her commerce and for her relief of troops from the British Navy throughout the whole seas.

14,831. Now, let us bring the two ends together. At present, putting it in round figures, the War Office calculation would be, that the non-effective and effective payments of India to England are about 1,350,000*l.*?—I am afraid I do not quite understand what the non-effective payments are.

14,832. (*Sir Ralph Knox.*) Pensions of the men who have served in India?—Oh, yes.

14,833–4. (*Chairman.*) Which I understood also from your rough sketch you would sweep away?—I do not think there is any harm in India paying a share of pensions; I think it would be quite fair that, supposing a man served eight years and had been in India five of those years, India should pay five-eighths of his pension. I would not object to that; I do not think India would object to that.

14,835. Perhaps for the purpose of our calculation we will put that aside?—I would.

14,836. Then at present we have got what we will call the War Office calculation of 1,100,000*l.*, and 100,000*l.* for the Navy—we will call the total 1,200,000*l.* That is 1,200,000*l.* which you would sweep away. (Let me say that I put this as an outside figure, because there are various items in this 1,100,000*l.* which, I think, before they could be fully admitted, would be very much criticised. On the other hand, whereas the Indian Government now pay 100,000*l.*, you say they might pay 500,000*l.*, or some sum of that kind, for the Navy?—I think so; if you would sweep the other charges away.

14,837. And that would really mean a gain to India, on the War Office computation, of 700,000*l.*?—That is assuming Sir Ralph Knox's contention. At present I think India only pays for the army charges about 600,000*l.*, does she not?

14,838. Not quite so much; but I am putting it first of all from the War Office point of view?—She pays 7*l.* 10*s.* a head.

14,839. From the War Office point of view India would gain 700,000*l.* Coming now to your point of view, the War Office get something like 650,000*l.* a year from India, viz., 550,000*l.* on account of the Army and 100.000*l.* on account of the Navy, besides deferred pay?—Deferred pay; I should perfectly admit that a man's deferred pay during the time he was in India is a charge against India. It is part of the soldier's pay.

14,840. That 650,000*l.* would be swept away and replaced by a general contribution to the Navy of, say, 500,000*l.*; so that, as far as the actual sums under your plan and the actual sums the War Office receive now are concerned, there would not be a very great difference?—I do not say the Government of India would like to pay 500,000*l.*, but I believe the Government of India would without hesitation, if they were released of all these capitation charges, in the fairness of which they do not believe—nobody in India does believe in the fairness of them—if you sweep them away and have done with them, and say that England is going to pay her share of the expenses of maintaining India against the foreigner, and that the way she is going to do it is that all these charges that she might bring against India for training recruits for her and for this and for that and for the other shall be wiped out, that is to say, England is going to pay; on the other hand she expects that India, for the enormous benefit that there is to her commerce by its being absolutely protected at sea, and for all that she gets from the English Navy—that India should pay a real contribution for that, I believe there would be no difficulty with India whatever.

14,841. As the account stands at present between the two countries, England would take less from India under your plan by about 150,000*l.*?—It might be so; I really have not thought of it as a calculation in my mind.

14,842. I was going to ask whether some consideration is not due to the British taxpayer; but if it comes down to a difference between you and Sir Ralph Knox of 150,000*l.*, I do not think we need elaborate it?—I think the British taxpayer is bound to pay something towards this land defence in India, and, on the other hand, I think he pays practically almost everything for the naval defence.

14,843. (*Mr. Buchanan.*) Do you admit that 500,000*l.* is a fair charge?—I have never attempted to investigate it. You must not bind me down to any statement of a particular figure.

14,844. (*Chairman.*) In saying what you have about 500,000*l.*, you merely take a figure?—I think I wrote somewhere in my notes "even a quarter of a million."

14,845. The point I want to get out from you is this: at present the contribution is 100,000*l.*, do you mean something more substantial than that?—I do indeed; I mean a real, good, substantial contribution, if you wipe out these military charges.

14,846. (*Mr. Buchanan.*) I suppose you would sweep away all those charges in respect of the Red Sea and Mauritius telegraphs, the China consulate charges, &c.?—I would. I would sweep away all those altogether.

14,847–8. You think those ought to be borne by the Imperial exchequer?—I do. I cannot understand why India has to pay for consulates in China. I must honestly confess I hold strong views on that subject.

14,849. In the same way with regard to Aden; you think that it is an Imperial fortress and should be maintained out of Imperial funds?—I do not see any objection to India paying a part of the charges for Aden. The Government of India is anxious to get rid of everything connected with the Somali coast, which is dependent on Aden. It is becoming more important every day, the question involving European entanglements with France and with Italy on that coast of Africa. The Government of India is very anxious to get rid of it, and the Government of India was inclined to make a proposal for separating Somali land from Aden, and letting Somali land be dealt with by the home Government, while India retained Aden. On my way home, by the Viceroy's request, I stopped at Aden. I went into that matter with the Resident at Aden, and I wrote a memorandum which we agreed to at Aden, and which I afterwards handed in here. It showed, I think, pretty conclusively that you cannot separate the two; that the interests of the two are so mixed up that they must be dealt with together, and therefore under those conditions I do not think that the Government of India would at all object to the home Government taking Aden over bodily if they liked to do it. In that case I suppose the home Government would pay for it; now, India pays for it. I, of course, hold that Aden is an important place for India; but formerly it was a place for India only, before there was the Suez Canal; now it has become a place of great importance to the whole of our commerce with the East, and therefore I think the conditions, if you are going into details at all, should be revised as regards payment for Aden.

14,850. Do you think that, if there was a European war, the Suez Canal would remain open?—That is an open question. I know it has been said to you definitely in evidence that it would not. I am sure that question has been the theme of an immensity of discussion and an immensity of debate, and the naval authorities themselves were not—I do not know whether they are now—agreed one way or another. It must depend upon a great variety of conditions. There is one other point that I might perhaps mention in connection with what I have already said, which is this. It has been urged in favour of India, I think by Sir Henry Waterfield, that India gives good training for troops, and is in that way

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valuable to England; and it has been said, on the other hand, here that India does not give good training for war, that the climate injures the men, and that the officers and the men acquire false ideas of service elsewhere owing to their having numbers of servants and luxuries unknown elsewhere, and so on. I should like, in reply to that, to make a simple statement of fact. In the Nile campaign of 1884–5 the battalion which gained Lord Wolseley's prize for the fastest journey from Wady Halfa to Korti with its boats, was a regiment which had just landed from India, having completed its time of service in India, and it was of that regiment that Lord Wolseley wrote—of this regiment just landed from India, "When I first saw the Royal Irish in the desert I felt "that they could not be beaten," and I think that is more or less an answer to the statement that men live in such conditions of luxury in India, or are made so effete by the climate, that they are not fit for war elsewhere, because the nature of the work that they did in Egypt was quite as hard as any work that they would be called upon to do in any European campaign.

14,851. (*Sir James Peile.*) I want to ask you a question, Sir Henry, relating to the health of the British troops in India. We have had it in evidence that the proportion of the European soldiers constantly sick has risen very greatly; from 1870–9, when the average was 60 per thousand, to 92 per thousand in 1894, whereas among the native troops the result is quite different; that is, in 1882–9 the proportion was only 34 per thousand, and it has fallen instead of risen; in 1891 it was 31 per thousand. We had it stated that that increase was chiefly due to venereal disease. We also have been told that the number of admissions of British soldiers for venereal disease in India last year or the year before was 522 per thousand. Now, in foreign armies, the admissions are not, I find, one-fifth of that proportion, and when we come to consider what the cause is, we find it due to a resolution of the House of Commons which was conveyed to the Government of India with instructions to give effect to it, and the result of that was that the control of prostitution in cantonments was withdrawn from the Government of India, so that the commanding officers in cantonments are entirely without any power to check prostitution or to regulate it. The consequence of that is that we are told that there are 3,200 men which you may call, I suppose, four regiments, always entirely incapacitated from service. Sir Henry Fowler, in speaking of the duty of this commission, said that its duty was to see that India gets full value for what she pays. Would you say, with reference to those 3,200 men, that India gets full value for what she pays?—I think that it is a very desperate misfortune; that is my personal view; it is a very great misfortune that we are not allowed in India to have a strong control over prostitution. That is my personal view, and I believe that if you were allowed to have such control it would improve the health of the troops, and that India would get better value out of the men that she has there than she now gets. The misfortune of the present state of things is that it is not merely that there are so many sick and so many in hospital, and so on; that does not tell the worst part of the story. The worst part of the story is that the seeds of this disease are in these unfortunate men, and when they go out upon service they break down with the first few days of hardship, as was found to be the case with men in the regiments that we sent to Chitral, not to speak of all the misfortunes to those unborn; but in that India is powerless.

14,852. And you would consider that the effect of this interference of the House of Commons in Indian administration has had an adverse bearing on its financial interests?—I do not believe it would be fair to say "in the Indian administration" only, because we know that the same protective measures which were introduced at home were also ordered to be swept away.

14,853. But we find protective measures in foreign armies to be thoroughly effective?—Thoroughly. There is no doubt in my mind you could have a thoroughly effective system of protection if you were allowed to do it.

14,854. (*Sir Ralph Knox.*) To return to a minute point in your last day's evidence, you alluded to the fact that India was embarrassed, or Indian finances were embarrassed, by the fact that drafts in excess of those requisitioned had been sent out to India?—Yes, unexpectedly.

14,855. You are aware that there has been considerable correspondence between the home and the Indian Governments on this point from time to time, are you not?—I cannot say that I am; there had been no previous correspondence on the subject during the time that I was in India.

14,856. Well, the practice had prevailed for very many years in consequence of an understanding with the Indian Government that drafts should be sent out sufficient to bring the army at the commencement of the financial year in excess of the establishment so as to counterbalance the waste which necessarily arose during the period during which no drafts were sent?—I do not think that was the arrangement which had been acted on for a number of years. It was to bring the establishments up to full strength on the first of April.

14,857. No?—That was the arrangement, as I understand it.

14,858. It was a long-standing agreement with the Indian Government that they should be brought up at the beginning of the financial year to a number in excess of the establishment, so as to allow of waste during the following months. At one time, I believe, the understanding was (although I have not been able to lay my finger upon the paper) that there should be a number of 5 per cent. in excess of the establishment?—I must say I am not aware of that, and that, I am afraid, it does not altogether correspond with the information that was given to me.

14,859. Assuming that some understanding of the kind existed, that would be an explanation, to some extent, of the numbers being slightly in excess of the establishment at the commencement of the year, would it not?—Assuming that, yes.

14,860. You are aware that for some years in succession the numbers that were borne on the Indian books at that time fell short of the establishment by some hundreds?—At what period of the year?

14,861. After the drafts were completed?—I believe they did, yes.

14,862–3. And the Indian Government remonstrated in consequence. For instance, in 1889 I find there were 686 below the establishment of 70,000, and that in 1889–90 there were 1,300 below, in 1891–2, 440 below; but there was one year 1890–1—that is at the time when the increase of the artillery was being made, it was not quite made up to the full number so soon as was expected—when there was a deficiency of 2,000. Against that deficiency in 1891, the Indian Government protested?—Yes.

14,864. And in a letter of June 1891 the Secretary of State for India desired to impress most strongly on the Secretary of State for War, the extreme importance of making early and efficient arrangements to meet this deficiency, as well as the normal requirements of the ensuing season?—What is the date of that letter?

14,865. June 1891?—Oh, that was written in my time, yes.

14,866. In consequence of this remonstrance inquiries were made, and it was found that the returns that had been sent from the regiments in India were inaccurate, and did not properly represent the requirements of the regiments; in fact, their requirements had been underestimated, and the deficiency was to some extent due to that fact; are you aware of that?—No, I do not think I am.

14,867. However, steps were taken to improve the returns that came home from India, with the result that, the augmentation having been completed, the numbers reverted to the condition at which they had been for some time before, that is to say, some excess over the establishment on the 1st April. [I find that in 1892–3 there were 600 in excess; in 1893–4, 1,400; in 1894–5, 1,200; in 1895–6, 542.] It would appear that, relying upon the deficiencies of the previous years, the estimate framed for the pay of troops in India for these later years was not put sufficiently high because a deficiency was anticipated; whereas, the War Office having come to an understanding with the India Office as regards the returns sent home, the War Office were able not only to complete the establishment, but to bring it a little in excess; that was the result, I think?—The result of your sending out more troops than you were requisitioned for, was simply what has been stated by the Government of India, that you sent us more troops than there was room for in barracks, and saddled the Government of India with expenditure of several thousands of pounds a month to the relief of your estimates in England.

14,868-9. That is an assumption, is it not, that these men were sent out simply to relieve our estimates?—I do not say "simply to relieve." I merely say that it did throw that expenditure upon us to the relief of the expenditure in England.

14,870. But is it not the case that these men would have been raised in order to comply with the demands from India—for the purpose of being sent to India?—I do not think so; they are raised for general service in the army, not for service in India; they are raised for general service in the army; whenever the military authorities at home found they could not send out to India the proper number of recruits—that their difficulties with recruiting had been such, or that the men were wanted elsewhere, or whatever the reason was, they did not send them. When they found, as I take it, that they had more on their hands than they wanted, then they sent out more to India than India had requisitioned or asked for.

14,871. (*Sir Donald Stewart.*) Were they not offering bounties to men of other regiments to make up these deficiences?—Certainly, to make up the deficiency.

14,872. (*Sir Ralph Knox.*) Does that not rather point to the fact that there was great difficulty in making up the number that was required for India?—I daresay there was a great difficulty. I know there is constantly a great difficulty in making up the numbers of troops that are wanted.

14,873. However, if it be the case that there was an understanding dating from many years back, that the numbers should be somewhat in excess at the commencement of the year, 1st April or May, that would explain to some extent the fact that additional numbers were sent out?—I do not think it would. If you had been in the habit of carrying out that agreement for some years, it does not explain the fact of your suddenly sending us out very much larger numbers than you were asked for, or had ever sent before; that is the real point.

14,874. 1,200, 600, 500, is not any very large number, considering that they begin to diminish from that date?—It is a large number to be sent out in excess. I do not know what the number is, I have not got my Indian papers here, and I have had no opportunity of looking into the details of this matter; but, whatever the number was that we complained of, it was very much larger than had ever been sent out before at that time of the year. It was considerably in excess of the requisitions made by the Commander-in-Chief in India upon the War Office for troops; it put the Commander-in-Chief to inconvenience, and it put the Government of India to great inconvenience.

14,875. As regards the general question that you have raised, you appear to be of opinion that the greater part of the European army in India is there to defend it from a Russian attack?—Oh, I beg your pardon; I have not said that.

14,876. You surely said something like it?—The strength of the whole army in India is about 220,000, and of that, 70,000 are for what may be called the field army. 70,000 is not the greater part of 220,000.

14,877. No; but I mean British troops?—The British troops are in about the same proportions.

14,878. Do I understand that you think that one-third of the British army is in India to defend her from Russian attack?—I have not said that, and I rather object to having words put into my mouth that I have not said.

14,879. But surely you advanced it as a reason that India should be relieved of a very large charge on account of the Indian army, that the European army in India is, to a very large extent, maintained to defend India from Russian attack?—Not only the European army; a very large portion of the Native army is maintained for that purpose as well as of the British army; and if you have to maintain an army of 70,000 men, of whom, say, 50,000 are natives, for that purpose, that requires that you should have 20,000 more British troops in India as the counterpoise to the Native army: that is the point.

14,880. But surely you said that, in consequence of the re-arrangement made as regards artillery in India, a much smaller European force would be necessary to provide against such a contingency as a mutiny than in the past?—Oh, no, indeed. I do not say that a much smaller force would be required; you have got a very large native force. I said that the conditions at the present time for dealing with a mutiny are such that I hold that the British Army now in India is capable of putting down any revolt that might arise among the Native army without further assistance from home.

14,881. But not more than sufficient for that purpose?—Not more than sufficient; no, not more than sufficient.

14,882. Then it may be argued that, such a contingency being in view, it is required for that purpose?—I am afraid I must be very stupid in conveying my meaning. I endeavoured to explain that for the purpose of the defence of our frontier we have to keep up a large field army, in addition to what might be called the obligatory garrisons of India. The greater portion, two-thirds or more, of that army consists of native troops, and the fact that you have to maintain those native troops for that purpose compels you to keep an additional British force in India, because of that. If you could do away with that frontier question altogether, then you might reduce your army by—I do not wish to commit myself to any figures—but say 50,000 native troops and 20,000 British troops. That is the point I want to get you to understand.

14,883. But supposing there was no British occupation of India, what sort of army do you think would it be necessary for the Indians combined (assuming a combination possible, under such circumstances) to maintain to resist an attack from Russia, who, I suppose, would be just as hungry in that case, as in the present conditions?—I cannot imagine what the state of India would be if the British army were withdrawn. I should say that in all probability within 12 months Bengal would be a dependency of Nepaul, and a considerable portion of Northern India would very likely be annexed to Afghanistan — I do not know what would happen. That, I take it, is your contingency.

14,884. India would be no less liable to an attack from Russia, supposing England did not occupy India, than she is now?—I should think not; no. The only difference would be that India would not belong to England as she does now.

14,885. But India would have to maintain an army in order to resist such an attack?—"India" would be purely a geographical expression, if the British army were withdrawn; it could not have such a personality as you attribute to India in speaking of it as keeping an army. It would be simply and purely a geographical expression; a number of different races, fighting with each other and cutting each other's throats until the strongest—I have not the slightest doubt in my own mind who these would be at the beginning — would ultimately prevail, until another great power would come down and take the country out of their hands.

14,886. You seemed to think that the rule of India by England was much more in her own interests than in the interests of the Indian people?—No, I again most distinctly disclaim having said that. There is no one who holds more strongly than I do the immense advantage to India of British rule. I hold it as an article of my faith, but I hold, and I used the expression, that it is an enormous advantage to England to have India.

14,887. You gave, as one of the reasons, the occupation that it gave to English people?—Yes.

14,888. To what extent do you think it gives occupation to English people? What is the English population in India?—The British population in India? I cannot say offhand what it is.

14,889. Including the army?—I cannot say what it is.

14,890. Two hundred thousand?—It may be 200,000.

14,891. Including the 73,000 military forces?—Yes, I do not know really what it is.

14,892. The military forces comprise, of course, the local forces, which include a large number of Europeans. I suppose the European population may roughly be taken at about 80,000 or 90,000 military and 100,000 civilians?—I do not really know what the population is.

14,893-4. That is not a very large number to be personally benefited?—Well, that is a matter of opinion. I should say it was a very large number to be employed.

14,895. (*Chairman.*) Perhaps it would be hardly worth while for the British taxpayer to pay 1,000,000*l.* to keep those 200,000 persons in employment, would it?—That was only one of many things. I was stating the advantages to England, and I said India employs a large

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number of Englishmen. Look at all the hundreds and thousands of people that we know whose sons have gone out to India and got employment there; and the great commerce which we have with India; and with regard to that what I would point out is that if India, for instance, were to fall into the hands of Russia, we know perfectly well that our commerce there would become practically extinct, because, if she did not actually prohibit the importation of British goods, Russia would put on such differential duties on them that she would make it practically impossible for them to be imported, as she does in Central Asia and elsewhere.

14,896. Unless there is any other point that you would wish to call attention to, these are all the questions we have to ask?—I have nothing else. But I should like to express my opinion that if this Royal Commission could see its way to recommending the abolition of all these accounts for military and naval services, for the Secretary of State's salary and the expenses of the India Office, for diplomatic and consular charges in Persia, China, and elsewhere, and to substitute for them a fixed contribution from India, as her return for the advantages she derives from Her Majesty's Government and Her Majesty's Navy, treating India more generously than she is at present treated in these accounts, the acceptance of such a recommendation would remove many constant causes of irritation, and would do much to convince all classes in India of the desire of this country, which rules India, to treat India justly and generously.

The witness withdraw.

(Adjourned till Monday next at noon.)

At the India Office, S.W.

THIRTY-FIFTH DAY.

Monday, 22nd February 1897.

PRESENT:

THE LORD WELBY, G.C.B. (CHAIRMAN, PRESIDING).

The Righ Hon. LEONARD COURTNEY, M.P.
Sir WILLIAM WEDDERBURN, Bart, M.P.
Field-Marshal Sir DONALD STEWART, Bart., G.C.B., G.C.S.I.
Sir E. W. HAMILTON, K.C.B.
Sir RALPH KNOX, K.C.B.
Sir JAMES PEILE, K.C.S.I.
Mr. G. L. RYDER, C.B.
Mr. T. R. BUCHANAN, M.P.
Mr. DADABHAI NAOROJI.
Mr. R. G. C. MOWBRAY.

Mr. COLIN G CAMPBELL, *Secretary.*

Sir HENRY WATERFIELD, K.C.S.I., C.B., and Mr. STEPHEN JACOB, C.S.I., re-called and further examined.

Sir Henry Waterfield, K.C.S.I., C.B., and Mr. Stephen Jacob C.S.I.

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14,897. (*Chairman.*) Sir Henry Waterfield, you have some remarks to make, I think, upon the evidence that has been published?—(*Sir Henry Waterfield.*) Yes. In a few cases it appeared to Mr. Jacob and myself that it would be useful to the Commission to have some explanations in amplification or correction of the evidence already given.

14,898. In the first section of the inquiry, that is, the section which relates to administration, a question arose as to the delivery of the Indian Financial Statement before the close of the financial year. Is there any remark upon that which you would like to give us?—Formerly the financial year ended on the 30th April. In the discussion in Parliament on the Indian Accounts in 1864, great complaint was made as to the delay; and, in deference to many members, who suggested that the year should close with December, Sir Charles Wood explained the difficulty of interference with the English votes, but undertook to see what could be done. The whole system of the Indian Accounts was about that time re-organised; and, after carefully weighing the relative advantages or disadvantages of adopting the calendar year or the *fasli* (or revenue) year, the Government of India came to the conclusion that it would be best to antedate the financial year by a month only, making it terminate on the 31st of March, as in England. It must be remembered, further, that there are no separate Votes in India as in England, and, that, unless the Budget is passed by the Council before the end of March, there is no authority for proceeding with expenditure in the following year.

14,899. When you say that Sir Charles Wood explained the difficulty of interference with the English Votes, what did he mean?—He meant, I think, that, when Parliament had once entered on the discussion of the English Votes, it would be very difficult to obtain a day for the discussion of the Indian Budget by putting aside the discussion on English questions, and that, consequently there would be a great tendency to throw the Indian Debate to the close of the year, after the Votes had all been passed, and when the Appropriation Bill had been introduced.

14,900. How would the reform which Sir Charles Wood made, by which the financial year was put back a month, assist the object he had in view?—The only way in which it would assist the object was that the Indian Statement would be made in India on the accounts being closed somewhat earlier than had been the case before. Sir Charles Wood hoped, when he made his explanation to Parliament, that he might be able to bring the Indian business before Parliament at an earlier date. The point that I wished to explain to the Commission was, that that was attempted in the year 1864, and that the Government of India found it impossible to meet it further than to the extent of one month.

14,901. I do not think that the course of the inquiry by the Commission implied that they were disposed to lay great stress on the alteration, and, therefore (unless other members of the Commission want to ask some questions on the point), after hearing your explanation, nothing further occurs to me?—I only mentioned it in order that the Commission might understand that it was not a new point raised in the evidence of Sir David Barbour and Lord Cromer, but that it had been fully considered and found impracticable.

14,902. Then you have a statement in your hands as to the increase of provincial taxation?—After the discussion which arose on the table given by me on page 29, Q. 679, I wrote to India for such a statement as the Commission desired; and, on its receipt, it was given to your Lordship. That is the information to which

Mr. Jacob referred, in his answer 11,157 (page 330). I now hand in a summary* of the information in a rather more convenient form than that which I gave to you.

14,903. Taking this note, and looking at the evidence that has been given before the Commission, are there any points in it to which you would like to call attention, or do you think it would be useful to the Commission if we took the separate heads of it and I were to put a question to you upon them?—I think it would be sufficient, with the evidence that has been given, if that summary was printed in the Appendix to the Report. I think it bears out, generally, the point which I wished to show, that, although there had been increase of taxation within the law, it had not been increase of taxation for the purpose of an increase, so much as for the purpose of administration. The point, if you remember, was somewhat challenged by Sir Charles Bernard, who thought that there had been no reduction of taxation, that it was entirely an increase. I think that the statement justifies my remark; but I would rather leave it to the Commission to judge on seeing the figures.

19,904. These figures do, to a certain extent, modify the impression that would be left upon the mind of the Commission, do they not, from the note of percentages given on page 29—table, I should say?—I think not; I think that they bear out that statement that there was a considerable increase, but that it was due to the better administration, and that it was not taxation imposed in order to give the Provincial Governments more money.

14,905. From reading the papers which you were good enough to put into my hands, of which you now give us a summary, I am under the impression that the percentage of increase in the case of excise is really due to certain circumstances which very much modify the impression which would be left on the mind of a person merely reading the note, viz., that the excise without any special increase of rates had shown elasticity to the extent of 85 per cent.?—It showed elasticity within what was permitted by the law; and the Provincial Governments, for the purpose of better administration, in many cases raised the taxation in certain districts, but they also reduced it in certain districts, and, on the whole, I think that, large as the increase was per cent. under excise, I was justified in saying that it was caused for the purpose of better administration, and that it was not the result of the provincial system requiring more taxation.

14,906. The changes that were made were not made so much for the purpose of increasing receipts as for the furtherance of better administration?—That is what I mean.

14,907. (*Sir James Peile.*) The increase is very largely due to the substitution of taxed liquor for untaxed or smuggled liquor?—No doubt. That is what I mean by better administration.

14,908. (*Chairman.*) As far as that was ascertained, it would be a fair deduction to say that to that extent the increase was the result of better administration?—Yes.

14,909. At the same time, as I understand it, the law allowed the Executive a discretion as to the rates of excise which they would levy. In the first year, in 1880–81, those rates, at all events in many places, were low, and, acting on their executive powers, the Government increased them, though for that purpose it was not necessary to get a new law?—Yes.

14,910. And so far that increase would represent an increase of taxation, would it not?—It was an increase of taxation, undoubtedly.

14,911. And, therefore, we must not jump too hastily to the conclusion that such a figure as 85 per cent. represents what we generally understand as elasticity of revenue?—No; it was not entirely due to greater consumption owing to the better position of the people; it was also due to the Provincial Governments increasing the taxation in order to administer the revenue better. (*Mr. Jacob.*) Might I be allowed to say also that in many cases the system followed now is entirely different from the system followed in the earlier year, so that it is impossible to make any accurate comparison as to whether the taxation was higher or lower. For instance, in many cases central distilleries have been substituted for out-stills. In the out-stills there was no fixed rate of taxation per gallon, so that it is impossible to say whether the rate in those cases has been increased or not; and that statement will show that in very many cases the change which has occurred is a change from one system to the other.

14,912. Would you explain what you mean by the out-still system?—Out-stills were in places in outlying districts where it was difficult to exercise any total supervision, and the licensee paid a certain amount for a license, and he made as much liquor as he could.

14,913. He was supposed to brew so much spirits, and paid accordingly?—Yes.

14,914. If he brewed more than that, the revenue suffered?—Yes. There was a certain limit to the amount that he could brew, because he was only allowed a distilling vat of a certain capacity.

14,915. Then with regard to the other heads, stamps, provincial rates, and registration, the percentage of increase, though considerable if it is really attributable to elasticity of revenue, is not so striking. You do not consider that these papers which you got from Mr. Finlay, I think, in India, modify to any extent the conclusions to which your tables point?—(*Sir Henry Waterfield.*) Mr. Finlay's note practically tells me that there has been no increase of taxation in such cases.

14,916. (*Sir Ralph Knox.*) But is it not the case that this improvement of administration as regards revenue is induced by the fact that the Provincial Governments are aware that any surplus arising from a better collection of revenue is at their disposal to meet expenditure upon the objects in which they are particularly interested?—Yes; they have the inducement to increase it, provided they have the legal power; but the Provincial Governments cannot increase taxation beyond what has already been authorised by the law.

14,917. No, quite so; but they are induced to be more keen in their supervision of the collection of revenue because it is at their disposal, at all events for a certain time, for expenditure which they consider to be valuable for their own provinces?—The tendency, no doubt, is to give them that inducement; but I am not certain that they have exercised it for the sake of getting more revenue, so much as for the sake of getting better administration altogether.

14,918. What is the particular advantage that is claimed for the provincial system?—That, when they wish to spend more money on their own improvements, they commonly do so within the improvement of revenue which comes under their own resources, and that they must not incur expenditure to a greater extent than the development of those resources admits.

14,919. (*Chairman.*) The Provincial Governments, as I understand, have the power to increase these rates within the law, have they not?—Yes, within the law.

14,920. Without the consent of the Supreme Government?—Yes, within the law, subject to certain provisos which I explained before, that they must not interfere with a neighbouring district or a neighbouring province.

14,921. And during the term of their contract with the Supreme Government they get the benefit of any surplus that may arise from such increase?—Yes.

14,922. At the end of the term of their contract it is open to the Supreme Government to take a larger share of the produce?—Yes, and in almost all cases it does claim a part of the improvement. (*Mr. Jacob.*) They may not alter the rate of duty on any spirits and drugs in any case in which the alteration is likely to affect the excise arrangements of neighbouring provinces. The practical effect of that is, that they almost always have to get the sanction of the Government of India to any alteration of the excise rates.

14,923. We have had evidence given us on the subject of the military element being represented by two members on the Council. I do not know, Sir Henry, whether you have seen Sir Henry Brackenbury's evidence upon that point. I do not know whether it is in the evidence which has been circulated?—I have not seen Sir Henry Brackenbury's evidence; I think Mr. Jacob has read the first day's evidence, but I have not been able to read that.

14,924. Have you any remark you would like to make upon that point? And, perhaps, if anything occurs to Mr. Jacob, he might supplement your remarks?—The only point that occurred to me to explain about it was the reason that there are two members of Council who are military members. The Commander in Chief is usually an *extraordinary* member of the Governor General's

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Council; he may be so appointed, but he is not *ipso facto* a member at all; he is not an ordinary member, he does not see the ordinary business, he could not superintend the Military Department, and he is frequently absent on tour from the seat of Government. It is essential that there should be an ordinary member to supervise the Military Department of the Government of India. And perhaps, with reference to an inquiry by your Lordship at Q. 13,546, page 156, I may add that on one occasion the Military Member of Council had not served in India for 10 years (that is Sir Henry Brackenbury's case), and that, when that happens, not more than one other member can be similarly appointed, so that either the Legal or the Financial Member must in that case be chosen from the Indian Service. The point you raised was a different one, but it arose out of the position of the Military Member of Council.

14,925. (*Mr. Mowbray.*) How is it that the Commander-in-Chief is not necessarily a Member of Council? Has there ever been a case in which the Commander-in-Chief has not been a Member of Council?—None, I believe; but he is not by his appointment made a member; he must be specially appointed, and he is then appointed to be an extraordinary member.

14,926. (*Sir William Wedderburn.*) It makes a difference in his salary, I think?—I do not think so at all.

14,927. (*Sir Donald Stewart.*) It used to, but not now for many years?—That is so.

14,928. (*Chairman.*) The point to which you call attention here is that only two members can be appointed to the Council who have not served in India for 10 years, is that it?—That is so.

14,929. Therefore, if the Military Member of Council has not served in India for 10 years, it interferes with the general arrangement, I suppose, of the Secretary of State, under which, for instance, very often the Legal Member and the Financial Member have not served in India?—Yes. In that particular case the point arose on Sir David Barbour's resignation, owing to the fact that Sir Henry Brackenbury and Sir Alexander Miller were neither of them members who had served in India for 10 years; the power of the Secretary of State to appoint a Financial Member was, therefore, limited to one who had been in India for 10 years.

14,930. (*Mr. Buchanan.*) Is that by statute?—Yes; only two members can be appointed who have not served in India for 10 years.

14,931. (*Chairman.*) Passing now to Increase of Expenditure, are there any observations which you wish to make?—The first point which occurred to me is with reference to the debt, page 236, Q. 7249. It appeared to me that there was a little confusion in the question. We do not add exchange to the principal of the sterling debt: but, when interest is dealt with, exchange should be added to the sterling figures. I merely state it to make it quite clear what is the practice; it is not of great importance; it was only that there was a little confusion in those questions as to whether exchange was added to the interest on the debt or not.

14,932. I do not quite see what the point you call attention to is. I do not see in the question any mention of principal?—At Q. 7249 you say, "The "India Office follow that rule and charge the difference "between the rupee at one-tenth of a pound as loss "by exchange."

14,933. You see I was alluding to the interest?—Yes, there you were alluding to the interest, and, consequently, exchange ought to be added. As I say, it is not a matter of importance, but there is a little confusion as to whether we are dealing with principal or with interest there.

14,934. I quite understand; you clear up the point?—It was merely to make it clear.

14,935. Do you wish to say anything about the general policy adopted with regard to irrigation works?—Your Lordship asked, at page 267, Q. 8729, whether there was any statement of the general policy with regard to irrigation works? I think that, if I read to you an extract from the report of the Select Committee on Public Works in 1879, and the Financial Statement of 1881, it will give you what you desire.

14,936. Will you do so, please?—In the report of the Committee of 1879, page 21, it is recommended, "That "the construction of new works from borrowed money "for the future be limited to those schemes alone "which, upon the responsibility of the Government, "are estimated to be productive, by yielding an annual "income equal to the interest on the capital expended "in their construction, including in such capital interest "during construction. That the debt incurred for "productive public works be kept separate from the "permanent or general debt of India. That all expenditure on the construction of productive public "works should be treated as borrowed money, so that, "if, instead of borrowing to the full extent of such "expenditure, a part of the surplus revenue of the year "can be devoted to this purpose, the general debt of "India be treated as relieved, and the productive "public works debt be increased, to such extent. "That, if in any year the financial condition of India "should admit of an increase in the expenditure on "productive public works by devoting to that purpose "surplus revenue, care should be taken that the "permanent establishments be not so increased as to "prove burdensome in years less generally prosperous." Then in the Financial Statement by Major Baring, on the 25th March 1881, he said, "Successive Secretaries "of State have adopted the principles recommended "by the Committee. The present Secretary of State "has given somewhat greater precision to the instructions of his predecessors. It has been laid down "that the 'question of constructing new railways is to "'be considered on commercial principles. No new "'line is to be undertaken, unless there is good "'prospect of its proving remunerative; that is to "'say, unless it can be fairly calculated to pay, "'within a maximum limit of five years from the date "'of the line being open for traffic, 4 per cent. on the "'capital invested, including therein all arrears of "'simple interest incurred up to that date, and also "'the capitalised value of the Land Revenue and of "'Leave Allowances and Pensions.' In the case of "irrigation works it is said, 'Commercial principles "'may be so far relaxed as to admit of their being "'undertaken if they can fairly be estimated to prove "'remunerative in ten years from the date of their "'completion, on similar terms.'"

14,937. Has the financial progress of those works been watched, and is it within your power to say whether in the result that condition has been fulfilled?—In many cases it certainly has been fulfilled. There have been some instances of failure to justify the estimates, but, taken as a whole, I think the irrigation policy has certainly been carried out on the principles laid down by that Committee.

14,938. Do you suppose, if you were to take the whole of your irrigation works that have been undertaken under this rule, that they have fulfilled this condition? That is to say, that, if four or five have fallen short of what was expected of them, others have so far exceeded what was expected of them that, if you take the whole of the irrigation expenditure together, you would find that it turned out remunerative?—I think so. Of course, it must be recollected that, in looking at the financial result of the irrigation policy, you must exclude the purchase of some very bad works which the Government of India were obliged to take over; I am speaking of the works which have been constructed under this policy. Mr. Jacob points out to me the answer which he himself gave at Q. 8810, "the major "works" (which are the works that I have described), "taken separately, produce a small net revenue over "and above the interest at 4 per cent. on capital "expenditure which is charged against them." That would include even the failures; the Madras Irrigation Company's works would be included in that.

14,939. That includes the loss that you knew would be incurred by taking over the failures?—Yes.

14,940. Therefore, on the whole, you may say that the irrigation works have produced the financial result which you expected, even after allowing for these unfavourable contingencies which accompanied the policy?—Yes.

14,941. You drew a distinction in your evidence, Mr. Jacob, between major works and minor works; are the minor works works of such a small character that you do not apply these strict financial rules to them?—(*Mr. Jacob.*) No. I explained before what the nature of the minor works was; but the chief distinction between them and major works is that the whole of the capital expenditure on minor works is charged against revenue.

14,942. (*Sir Ralph Knox.*) Does this condition that you must make a profit apply to such expenditure as is

incurred practically out of the Famine Relief Fund?—(*Sir Henry Waterfield.*) No; a protective work may be constructed on other principles; but, if it were of sufficient importance for the capital account to be of magnitude, it would be included in major works, although it had been constructed from revenue.

14,943. (*Chairman.*) Would accounts of irrigation works distinguish protective works from works undertaken on commercial principles?—In the accounts for the year they are distinguished by the capital being charged against revenue; but the Public Works Department makes up an account to show how the major works are turning out, and in that they would include these larger protective works, even though the capital had been defrayed from revenue and not from borrowed funds.

14,944. But would it not be desirable that, in such a case, the financial result of the protective works should, at all events by a note, be shown so as to make a clear distinction between works undertaken on commercial principles and works undertaken for purposes of general policy?—That can be prepared at any time; but the statement in the Finance Accounts shows the revenue return on all works of sufficient magnitude to have a separate capital account. It is shown at page 127 of the Finance Accounts; you will see a column showing in each case what is the profit that has been made, excluding 4 per cent. or including it.

14,945. This account shows that during the year 1895–6, as I understand it, the balance of excess revenue, or profit, remaining after charging interest at 4 per cent., is 91,362 Rx.?—Yes, that is so.

14,946. And this account includes the result of purely protective works?—If they were of sufficient magnitude to have a separate capital account; there are some small protective works which are not brought in.

14,947. Would it not be possible to add a note to that account to the effect that, if the deficit on the protective works, which were not undertaken on commercial principles, were deducted, such and such would be the profit?—It could be added, but I should rather deprecate it as tending to cook the accounts. Irrigation works are frequently recommended by the Government of India on the double ground that they are much needed to protect a district from famine, and also that there is likely to be a sufficiently remunerative return. I think it would be a little dangerous to say on which ground they have been executed. It would be very easy to exclude the amount which had been paid from revenue, and say what the return on the amount charged to borrowed funds would be; but a work may be partly paid for from revenue and partly from borrowed money.

14,948. Is any part of the cost of major works defrayed from revenue?—Yes, in the case of protective works.

14,949. My point is this: the Indian Government undertakes a large amount of work of a commercial character; do you not think that it is desirable to show what is the real result of that work? If the Government mixes up in the accounts of such works the results of works which are unproductive and which were not undertaken on commercial principles but in the interest of the general public as matters of policy, does it not give rather an unfair result of the working of the Indian Government where it deals with a commercial business?—It perhaps hardly goes so far in the defence of the Government as would such an account as your Lordship mentions; but the Government of India is at present content with showing that, even if the capital laid out on protective works be included, for which they did not have to borrow, they can still show that there is a profit after deducting charges for interest.

14,950. Should you object to a note being put in that account in accordance with what you were holding out as a possible means of meeting my criticism, viz., to show the result, excluding the interest on sums advanced from revenue?—There would be no difficulty, I think I can certainly say, in making a note that of this total capital outlay so much has been expended from revenue, and, excluding that, that the profit would be $4\frac{1}{2}$, or whatever it is, rather than 4 yer cent.

14,951. But, at all events, speaking on behalf of the Government of India, you are satisfied if you show a profit of Rx. 91,000 upon the total account?—I think that that is sufficient for the purpose.

14,952. At Q. 12,018 (page 362) a suggestion was made that a note should be inserted in the accounts, showing the sums contributed by civil servants towards their superannuation allowance. Have steps been taken to carry that into effect?—Yes; and in the Finance Accounts just received, for 1895–6, on page 97, there is a note stating that Rx. 79,400 approximately was recovered from Indian civil servants, by deduction from their salaries, on account of contributions towards annuities.

14,953. That would make the total receipts, would it not, 374,000 Rx. plus 79,000 Rx. recovered from Indian civil servants?—Yes.

14,954. And this sum might be placed as extra receipts against the sum of Rx. 4,167,869 on the next page?—Yes.

14,955. Turning now to Q. 10,988, at page 325; this was a question put by Mr. Naoroji about two returns, one of 1878 and one of later date, and I think it came out that that first return was never printed?—Yes.

14,956. Is that in any shape available?—When I last inquired, it was in the library of the House of Commons, and I suppose it is still there; but it was very bulky, and owing to the fact that it included a very large amount of mere names, the Printing Committee did not order it to be printed—I believe that that was the reason; but, if that nominal part were omitted, the remainder, which was compressed into 32 pages of manuscript (and therefore certainly would not be a very bulky return), might, I should suppose, be printed, if any member applied that this should be done.

14,957. And that would be a summary?—That would be a summary.

14,958. Have you got a draft of it in this office?—No. Mr. Bright insisted on having the names; the India Office suggested to him that the numbers would give him really what he wanted, but I think that he was a little suspicious that we did great jobs in those days, and he would insist on having the names of every one who was drawing a salary or a pension of a certain amount; and that swelled the return very largely. When it was presented, I compiled a summary which I thought would give all the information, and, expecting to have it back from the printers in a few days, I did not take any copy of it, and we have never been able to use it again since.

14,959. That is to say, a copy does not exist?—There is no copy. The original existed, and I did on one occasion refer to the librarian and found that it was in the House of Commons library.

14,960. The summary was there?—The summary, which is the first 32 pages of the return. I cannot think that there would be any objection to printing it.

14,961. I suppose that 32 pages of manuscript would probably go into two or three of print?—I should think into six or eight at most; it would be a small return. I do not think there would be any objection to printing it, but it is not in the power of the India Office to see to it.

14,962. Perhaps you would ask the librarian of the House of Commons whether access could be had to the return, with a view to seeing whether the summary could be printed in a form available for the Commission?—I will do so. It will, of course, be understood that the information is now very old; it was given in 1879.

14,963. I think you want to suggest some modification of some figures which I gave in Q. 6758?—Yes. I think that your Lordship's reference to the gross revenue, unless accompanied by explanation, may be misleading as to the supposed elasticity of the revenue of India.

14,964. I took my figures from the Statistical Abstract, and mentioned the fact that the total gross revenue of India appeared to show a very considerable increase; and I mentioned that in proof of the elasticity of the revenue, I think?—Yes. The exact figures which you quoted from the Statistical Abstract were, gross revenue in 1883–4, Rx. 71,841,790, and in 1893–4, Rx. 90,565,214, showing an increase of Rx. 18,723,424. Of this amount railways produced Rx. 8,336,816, but at an increased cost of Rx. 9,567,567; and about $2\frac{1}{2}$ millions more must be deducted for the receipts in other departments, which were considerably exceeded by the corresponding charges. The increase in the revenue proper was Rx. 8,155,199, while the cost of collection and other direct demands rose by Rx. 1,473,989. So that the net increase of revenue in the 10 years was not 19, but rather less than $6\frac{3}{4}$, millions of tens of rupees. I thought

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that the suggestion that there was an increase of 19 millions showed much greater elasticity of revenue than could really be said to have existed.

14,965. It is perfectly true that I took the Statistical Abstract at the moment, and turned to it and read out the figures of gross revenue which were given in it?—Yes.

14,966. But may I call attention to this table which you have given me, and which I will ask you to hand in to the Commission, in which you analyse those sums?—I will hand in the table.*

14,967. You observe there that, if you take the revenue proper, the result of taxation, land revenue, salt, stamp, customs, provincial rates, assessed taxes, forest, registration, and tributes, in 1883-4, the total sum received was Rx. 42,482,000; and, in 1893-4, Rx. 53,566,000, giving an increase of Rx. 11,000,000. I am giving round figures?—That is so.

14,968. Eleven millions is an increase on 42 millions of 25 per cent., is it not?—Yes.

14,969. And an increase of 18 on 71 is also very nearly an increase of 25 per cent.?—Yes.

14,970. So that, though I was not aware of it at the time, as a matter of fact, it appears that on the revenue proper the measure of elasticity, as shown in this table, is 25 per cent.?—But I hardly think that, in taking the measure of elasticity of the total revenue, you can exclude such a head as opium, for instance.

14,971. Quite so, if you are taking it on the total. I am not quoting those figures in the least as against your correction of what I said; but I call attention to the fact, which strikes me now for the first time, that the revenue proper does show a very considerable amount of elasticity?—Undoubtedly it does show that; but whether you say that there is an increase of 11,000,000 or an increase of 8,000,000 (which is the figure excluding opium) it is a considerable difference in proportion.

14,972. I quite agree with that; but still the fact remains which would justify my conclusion: "You "would have to go a very long way through all the "countries of the world before you could find so "elastic a revenue as that," and I should venture to think that any country in the world would be glad, within a period of 10 years, to point to an increase in its revenue proper of 25 per cent.?—Yes, but it is partly by increase of taxation.

14,973. But that fact had previously been brought before us?—Yes.

14,974-5. By-the-way, on the balance of the increase and decrease of taxation during those 10 years, was there a very considerable balance of increase?—I have answered that at Q. 12,073, page 366 of the 1st volume. I think that the two millions under salt, the three millions under customs, and the increase of 1¼ millions under assessed taxes, besides Rx. 200,000 under provincial rates, and about a million under excise, must be considered an increase of taxation.

14,976-7. And against that was there no set-off in reductions?—There was a very large reduction of salt and customs duty just before this date; but these figures would not be affected by that.

14,978. You wish, I think, to add something to your evidence about the China diplomatic and consular establishments, page 482?—I think that I hardly laid sufficient stress on the objection to India's being treated differently from other dependencies. It is argued in Q. 12,450, that, if India has one-fourth of the China trade, she may reasonably be charged with one-fourth of the expense of the establishments; but Australia and other colonies have a certain portion of the trade, yet they are not called on to pay any part of the expense.

14,979. It is nevertheless a fact, is it not, that, from time which we may call immemorial for our purpose here, India has paid her share, at one time nearly the whole, of the cost of the China consulates, has she not?—Under the East India Company she paid a large proportion.

14,980. Therefore there has been no change of policy in that respect; it is an arrangement of very long standing that India should pay a part?—Yes. At the time that that arrangement was first made, the East India Company had a monopoly of the trade.

14,981. At one time she paid very nearly the whole cost, did she not?—Yes.

14,982. Therefore the modifications, such as they have been, have been in return for the abandonment of the monopoly; there has been a very considerable decrease in the amount charged?—A decrease in the proportion of the amount charged, but a very large increase in the actual amount charged; it was then about 3,000*l.*, it was afterwards raised to about 20,000*l.*

14,983. That is accounted for by a very large opening up of the China trade?—Yes.

14,984. (*Mr. Buchanan.*) The same principles do not apply to any other part of the Empire except India?—No, that was the point I wished to bring before the Commission.

14,985. And all the monopoly that India enjoyed has been taken away from her?—Yes. I gave the figures at Q. 12,415: "Owing to the great increase in the total "cost of the establishments, the amount falling on "India rose from an average of 4,676*l.*, between "1835-6 and 1842-3, to 22,000*l.* or 23,000*l.* from "1867-8 to 1871-2." There has been a considerable reduction since.

14,986-7. (*Chairman.*) In regard to the Persian mission, you handed in (at Q. 12,413, page 480) a statement obtained from the Foreign Office of the payments by the British Government. Have you any observations to make upon them?—As explained in the footnote on page 480, the statement was revised by the Foreign Office, and is now shown on page 403 of Vol. II. The average payments of the last three years have been 21,824*l.* by the Foreign Office, or 41·7 per cent., and 30,522*l.* by the India Office, or 58·3 per cent. India is, therefore, paying a good deal more than half; and, if the expenditure should be equally divided, her contribution of 7,000*l.* a year should be reduced to about 2,650*l.* Perhaps I should explain to your Lordship that I am now taking the point of equal division of the expenses, and not the ratio of 7 to 12, which has hitherto been adopted,

14,988. You are assuming that the ratio should be equal?—I am showing what the contribution by India would be if the expenses were evenly divided.

14,989. You are not maintaining that the present contribution is contrary to the arrangement which now exists, be it good or bad?—No.

14,990. With reference to Aden, have you anything to observe?—A question was put to Lord Wolseley in which there is an inaccuracy—page 521, Q 13,221, it is suggested that "Great Britain only pays Rx. 16,000" for the cost of Aden. She pays nothing towards the annual expenditure. The only payments she has made are a moiety of the Special Defences and Armament, up to a certain amount, and this is now drawing to a close. The point is, that it was taken in that question rather as if the Special Defences contribution was an annual payment, and not an accidental one which is passing away.

14,991. (*Sir Ralph Knox.*) The payments have been made towards the works?—Yes, but not towards the annual expense of Aden.

14,992-3. (*Chairman.*) And does the sum of 277,000 Rx. in the Accounts simply refer to the maintenance charges of Aden?—That is the total payment from Indian revenues for the cost of Aden in 1894-5; I think it did not include the expenditure on the special defence works. Mr. Caine's question set the annual expenditure in India against the capital expenditure which England was bearing in that year.

14,994. Quite so; the point is that the 277,000 Rx. includes nothing on account of Special Defences, and therefore we are not comparing the sums *in pari*?—I have not the statement before me at this moment, but I believe that is so*; at any rate my point is that for the ordinary maintenance of Aden England pays nothing.

14,995. Mr. Jacob, in a Memorandum which Sir H. Waterfield handed in, and which is printed in Appendix 48 (page 371), we have had the views of the Secretary of State in Council regarding Aden. Do you wish to add anything thereto on the part of the Government of India?—(*Mr. Jacob.*) I should like to be permitted to say something about the Indian view of the question of England bearing a share of the cost of Aden. Our view is that the discussions of this question have been prejudiced by introducing into them the question of the transfer of the control of Aden. It seems to us in India that these two questions are independent of each other, and that it does not

* *See* Appendix No. 72.

* See Q. 15,004.

follow that England should bear no share of the cost because the control is in the hands of India, any more than it would follow that India should bear no share of the cost if the control were transferred. There may be reasons on the one hand why India should retain the control (even as a trustee for British interests), while, on the other hand, those interests may be sufficient to justify England's bearing a share of the cost. These questions may, therefore, be kept separate.

The grounds on which India has urged that England should bear some share of the cost are that England is very largely interested in the maintenance of Aden from many points of view. The commercial interests involved have been laid before the Commission at some length, and I have very little to add as far as that point is concerned. The necessities of trade, especially since the opening of the Suez Canal, have rendered Aden peculiarly valuable to England as a commercial nation. It has been well called the key of the commercial highway to the East; and it is no exaggeration to say that the whole commercial world is interested in its maintenance, and, most of all, England, the principal commercial nation of the world. But from a naval, and consequently from a military point of view, Aden is equally important to England. In the event of war it would furnish our Navy with a fortified coaling and re-fitting station on a main line of Imperial communication, and would thus form a naval base for defending communications in the East England has indeed admitted her interest in this respect by bearing a share of the cost of the fortifications and armaments of Aden; and it may be urged that she is equally interested in the maintenance of an adequate garrison.

Then, further, politically Aden derives a considerable part of its importance, not from the consideration of Indian interests, but from its relation to the general foreign policy of the Empire. It is a centre from which influence is exercised, not in the interest of India alone, on the Arabian and African coasts; questions thus arising affect wider interests than those of India, and their settlement will not and cannot be left to the Government of India. The policy must be decided at home, and India thus may become involved in diplomatic matters in which she has very little voice and over which she has no exclusive control; her action will merely be limited to carrying out at Indian expense a policy which she has not laid down, and whose aim would be complicated by British and European rather than by Indian considerations. India, in fact, runs the risk of becoming entangled in troubles arising in Africa, and of incurring demands in the way of men and money to support a policy which will not have purely Indian interests for its object.

On such grounds India has urged more than once that England should bear at least half the cost of the maintenance of Aden both as a civil and military station.

As regards the question of control, India would urge that there is something to be said for her retaining the control, even though she does not bear the whole cost.

1. Geographically Aden is so situated that in case of menace India should furnish succour; and, if communication by the Suez Canal were stopped, Aden would naturally fall under the control of the Indian Government.
2. The native portion of the garrison must be furnished by India; and even the European garrison must be paid on the Indian scale, and can most conveniently be supplied by dropping troops on their way home from India.
3. Aden is practically an Indian town; the labouring population, the traders, and the capitalists are Indian; and the administration has hitherto been on the Indian system, to which the bulk of the people are accustomed, and is probably cheaper on that system than it would otherwise be.

I should add, that when the matter was last discussed in 1890-91, the Government of India were given to understand that the British Treasury would not under any circumstances accept any additional charge through the transfer of Aden. Their decision to oppose the transfer of control was accordingly influenced by the impression that the utmost that India could expect from the Treasury would be that she should continue to bear the cost on the existing scale, England possibly bearing any future additions to that cost.

14,996-8. May I ask the ground on which you call our attention to this point? It rather leaves upon one's mind the impression that there is a difference of view between the India Office and the Indian Government. But the paper to which you refer was put in by the India Office, and in it the attention of the Commission is called to the fact (after many reasons have been brought forward why England should contribute to the cost of Aden), that "so long ago as 1861 the Government of "India urged the propriety of the expenses of Aden "being divided between Great Britain and India." It appears to me that the Government of India, as represented by yourself, and the Secretary of State, as represented by Sir Henry Waterfield, are arguing in the same line?—There is one point, at any rate, which was not brought out in the evidence that was given before, and that is that the question of control has been introduced and mixed up with the question of England bearing any portion of the expense.

14,999. You want entirely to separate the question of control from the question of expenditure?—It seems to me that the question of the division of the charge has been prejudiced by the introduction of the question of the control.

15,000. Sir Henry Waterfield, would you look at that paper of the India Office, which I think you handed in, page 372?—(*Sir Henry Waterfield.*) Yes.

15,001. I see that that gives these figures of Rx. 277,000 and Rx. 16,000, and that Special Defence Works form part of the Rx. 277,000?—Yes, you are right. I had not the figures before me when I was speaking just now, and I think, as applied to the year 1894-5, the figures that should be given are that India spent Rx. 32,000 on Special Defence Works in that year and England Rx. 16,000, and that for the maintenance India spent Rx. 245,300 and England nothing.

(*Chairman.*) That rectifies, but, of course, it does not affect very largely your contention.

15,002-3. (*Mr. Mowbray.*) Did India pay Rx. 32,000 and Great Britain Rx. 16,000? It appeared to me from that memorandum that England had paid half of the Rx. 32,000 charged originally to India?—That is so. I did not explain it clearly. It is that the cost of the Special Defence Works was Rx. 32,000 in that year, of which India paid Rx. 16,000 and England Rx 16,000.

15,004-6. So that, including Special Defence Works, the total of Indian payment would be 261,000*l.*?—Yes. The Special Defence Works are a temporary charge, the ordinary annual maintenance was 245,000*l.*, which was paid entirely by India. The special defences in that year amounted to Rx. 32,000, of which Rx. 16,000 was repaid by England.

15,007. (*Mr. Buchanan.*) But, according to this memorandum, it was not repaid in full owing to various objections urged by the War Office; is not that the case?—I am not the author of that memorandum, and I am not quite certain of the meaning of these exact words; but I believe that they mean that we had at the time closely approximated to the maximum limit which was to be charged on the United Kingdom, and, therefore, it was thought that, perhaps, the whole of that might not be recovered; but, speaking generally, the expenditure on the Special Defences has been divided between the two Governments equally.

15,008. (*Chairman.*) It is part of your statement, Sir Henry, is it not, that that Special Defence expenditure is coming to an end?—Yes.

15,009. And has the British Exchequer paid up the 16,000 Rx.?—They have paid up the half that we charge them. I am not able, without reference, to speak to the particular charge in 1894-5; they have paid the portion of the cost that is due by them.

15,010. You are familiar with this matter, Mr. Ryder; do you remember the repayment of the half of the cost of these Special Defence Works?

(*Mr. Ryder.*) I think so. The arrangement was that the cost should be equally divided between the two Governments.

(*Chairman.*) Both the cost of the Special Defence Works, and the cost of armaments.

15,011. (*Mr. Ryder.*) I think so?—There are limits in each case. The amount that may be charged upon England for works is limited to one-half of the original estimate. The amount that may be charged upon India for armaments is also limited to one-half of the estimate.

15,012. (*Chairman.*) And the 32,000 includes both armaments and works, does it?—I am afraid I cannot answer that without reference. May I refer you to the exact figures which are given at page 484, Q. 12,505. Perhaps I may read the answer I gave then?

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15,013. If you please?—The works were estimated to cost about 213,000*l*; the United Kingdom agreed to pay a moiety, or 106,573*l*., and she has paid that. The accounts are being received from India, and rather fairly bear out the estimate, although it is possible that it may be somewhat exceeded; but the share of the British Government is limited. On the other hand, the cost of the armaments was to be borne by India to the extent of 52,655*l*., and for that accounts have practically been rendered, though I think it is still subject to some adjustment.

15,014. And that means that the Imperial Government have borne 52,655, I suppose?—Yes.

15,015. I think, Mr. Jacob, the question of Aden has been very fully discussed before the Commission—we have had it discussed on Sir Henry Brackenbury's evidence, and on that of other witnesses—and the pros and cons have been argued out; therefore, unless other members of the Commission wish to enter upon it, I do not propose to reiterate now what may be said *per contra*.

At Q. 12,296, the effect on Indian Finance of the reduction of the postage rates was discussed. Have you any further information, Sir Henry, to give us upon that point?—Yes; I wrote to India, and I have received a letter in reply. It is calculated that the reduction of the postage on letters in 1891, and on newspapers and book-packets in 1892, resulted in a loss to the Government of India in 1895-6 of approximately Rs. 4,80,000. The following note by the Director-General of Post Offices in India explains the calculation:—

"It is not an easy matter to give the information that has been asked for in any satisfactory or complete way, but I have had the figures carefully worked out, and now submit a note on the subject.

"2. The case, of course, can be stated clearly and simply, apart from the rather complicated question of our payments to London, and apart from exchange.

"The reduction in letter postage was introduced from the 1st January, 1891, and the reduction of packet postage from the 1st January, 1892. We have a regular record of the actual weights of the mail articles of different classes sent to the United Kingdom,* and the number of postage rates that go to a given weight have been carefully estimated, both in the past and since the reduction of weights took place. In its simplest form, therefore, the case can be stated as below, showing as a result, that the revenue derived from postage on the mails to the United Kingdom during the year 1895-6 was about a lakh and a half less than the revenue before the reduction of postage rates came into force.

Paid Letters.	In 1890 Jan. to Dec.	In 1895-6.
Weight - -	Ozs. 824,320	Ozs. 1,113,200
Number of letter rates -	2,349,312	3,295,072
Postage - -	Rs. 6,60,744	Rs. 5,12,855

Paid Packets.	In 1891 Jan. to Dec.	In 1895-6.
Weight - -	Lbs. 166,924	Lbs. 255,971
Number of packet rates	1,305,478	3,209,876
Postage - -	Rs. 1,22,388	Rs. 1,00,308.

"3. The growth of the mail matter, however, as shown by the figures given in the preceding paragraph, cannot be attributed solely to the reduction in the postage rates. A normal or average increase would have occurred in any case, and allowance must be made for this. The full financial effect of the change, therefore, can only be arrived at by estimating the income from postage that might fairly have been expected in 1895-6 if the reduction in rates had not been introduced, and taking this against the charges that would have had to be incurred in making payments to the General Post Office, London, and then comparing the result with our actual position, under present arrangements.

"4. In order to form an estimate of the extent to which the Mail matter would have increased if the postage had not been reduced, the average rate of increase during the three years preceding the change has been taken as the normal rate of growth since the reduction. It has further been assumed that the arrangement as to settlement of accounts with the British Post Office which had previously been in force would have continued. According to that arrangement a fixed sum of 40,000*l*. a year was paid by India towards the Peninsular and Oriental subsidy; and, over and above this, certain credits were given to the British Post Office on account of its inland share of postage, and on account of sea-postage and continental transit charges; while certain credits were received out of the postage collected in the United Kingdom as the inland share of the Indian Post Office.

"5. It is calculated that, if no change had taken place, the credit to be given to the British Post Office during 1895-6 would have amounted to 48,984*l*., while the credit to be received by the Indian Post Office would have been 26,449*l*., leaving a balance in favour of the United Kingdom of 22,535*l*. If the sum of 40,000*l*. be added to this, the net payment to be made to the General Post Office, London, would have been 62,535*l*., or Rs. 11,32,709 at 13$\frac{1}{4}$*d*.* to the rupee.

"The total postage collections on the main classes of correspondence sent to the United Kingdom at the rates formerly in force would, it is estimated, have amounted to Rs. 8,65,023, leaving a deficit of some Rs. 2,60,000 to be made good out of general revenue.

"6. Turning now to the actual results of 1895-6, under the reduced rates of postage, I calculate that the postage collected on the main classes of correspondence sent to the United Kingdom was Rs. 6,49,342† while the sterling payment made to London amounted to 77,044*l*.‡ This sum, at the rate of exchange mentioned above, is the equivalent of Rs. 13,95,513, so that the deficit to be made good out of general revenue was something like Rs. 7,40,000, in place of Rs. 2,60,000.

"7. It may, therefore, be said that so far as India is concerned the result of the reduction of postage has been that during 1895-6 the payment to be made to the General Post Office, London, on account of the transmission of the mails was in excess of the postage collected by about 4$\frac{3}{4}$ lakhs more than it would have been if the rates had not been reduced."

15,016. In what form are you putting that before us? Are you arguing that that was an expense forced upon India by the Imperial Government?—My object was merely to give the explanation for which the Commission called.

15,017. Mr. Jacob, Sir Henry Waterfield gave an explanation respecting the Zanzibar and Mauritius Telegraph Cable; have you anything to add to that explanation?—(*Mr. Jacob.*) The general view which I take of the matter (which is also, I believe, the view held by the Government of India) is expressed in the memorandum which has been printed as Appendix 64, in Vol. II. of the Commission's Report. I would merely add that I should demur to the view expressed in the answer to Q. 12,310. I do not think it can be said that the original proposal for this cable came from the Government of India. The proposal of the Government of India was for a cable from Ceylon *viâ* Mauritius to the Cape, with the view of giving additional telegraphic communication with England. The scheme proposed by the home Committee was an entirely new proposal; it did not afford any additional route of telegraphic communication between India and England. And I do not think that any liability can be attributed to India on the ground of its having originated an entirely different proposal with different objects from those secured by the existing cable. India considered the new proposal to be of importance to India, and in this view was willing to bear a moderate share of the cost; but it never expected to have to bear a yearly charge of 8,000*l*. or 10,000*l*. on this account.

15,018. But does that affect the question that India actually did propose a cable to the Mauritius?—They proposed a cable from India to the Mauritius, and from the Mauritius to the Cape, only as furnishing a new route from India to England.

15,019. But that was the result of the discussion that took place upon the proposal. Do you mean to say

* The Continental correspondence has been left out of account. Its inclusion would not much affect the main result.

* The official rate of exchange for the year.

† Including the postage on unpaid official letters which is not actually collected in India.

‡ £
60,600 fixed annual payment towards P. & O. subsidy.
16,444 credit on account of Continental train transit.
£77,044

that the Indian Government would not have accepted the enlarged proposal? I understand they did?—I say that the Indian Government thought that the new proposal was of importance to India, and they were willing to bear some share of the cost; but I do not think it can be said that they originated that proposal. They originated an entirely different proposal.

15,020. Quite so; but as the discussion went on the Imperial Government enlarged that proposal, and the India Office accepted, as I understood, the enlarged proposal?—I do not think they enlarged the proposal at all; they made an entirely different proposal which did not secure the objects which the Government of India had in view.

15,021. It involved a communication with the Mauritius, did it not? It gave India communication with the Mauritius, which India had proposed, only it was on an enlarged scale, and India acquiesced in the enlarged proposal, did she not?—India did not, in its original proposal, want communication with the Mauritius, except as a means of communication with England.

15,022. As the discussion went on, the proposal took an enlarged scope, and, as I understand it, India accepted the enlarged proposal of the Imperial Government?—It accepted the proposal; because the objects which it had in view in its original proposal had already been secured in another way.

15,023. But in that case, should we not have expected to find India protesting against and refusing to subscribe to the new proposal?—They expressly said that they were willing to bear a moderate share of the cost. They have been made to bear one-half of the cost.

15,024. But they wanted to have the cable; it was not forced upon them, was it?—It was practically forced upon them by the communication to them of the decision of the Treasury only to vote the other half.

15,025. But I mean it was in the power of India to have declined, was it not?—Yes, and then the scheme would not have been carried out at all.

15,026. Therefore India wanted to have the scheme carried out, and for that reason she assented?—I have said that the Indian Government thought the scheme was of some importance to India, but they did not consider that they were equally interested with England in it.

15,027. Still it was in the power of India to have declined altogether; whereas for reasons which were, no doubt, satisfactory to India, India assented. She was a free agent in the matter?—She did protest against such a large share being put upon her; it was only under compulsion that she assented.

15,028. I want to bring that word "compulsion" to an issue between us. It was in the power of India to have declined altogether if she had liked?—I do not think she could have declined.

15,029. No, exactly; the scheme was to be of so much value to her that she assented?—She gave an unwilling assent.

15,030. But she did assent. She could have declined if she had liked?—I do not think she could have declined.

15,031. Because it was of so much value to her to carry it out?—Because the India Office considered that it should be carried out. (*Sir Henry Waterfield.*) Mr. Jacob draws a distinction between the India Office and the Indian Government in this case.

15,032. But anyhow, although they did assent, they did not accept the arrangement as satisfactory?—Not at all.

15,033. (*Mr. Courtney.*) Was a cable constructed from Mauritius to India?—No, there is no cable from Mauritius to India.

15,034. (*Chairman.*) And that was the original proposal of the Government of India?—(*Mr. Jacob.*) Yes, but merely as a means of alternative communication with England—so that we should not be confined to one means of communication with England.

15,035. (*Mr. Courtney.*) It was constructed *viâ* Zanzibar to Mauritius?—Yes.

15,036. But the link was not constructed, I think, from Mauritius to the Cape?—(*Sir Henry Waterfield.*) No.

15,037. So that you do not get by that route round to England?—(*Mr. Jacob.*) No.

15,038. (*Chairman.*) I think, Mr. Jacob, that you have some explanations to give us under the head of Increase of Expenditure in certain Departments, as to which the facts were not fully laid before us when you were under examination before?—(*Mr. Jacob.*) Yes. A few explanations are, I think, required to supplement the evidence as to the rise in expenditure between 1884–5 and 1893–4, where it appears to be either incomplete or inaccurate, owing to sufficient information not being available at the time it was given.

15,039. Have you any further explanation to give about the increase in the grants for station conservancy referred to in Q. 5002?—The station conservancy charges consist of grants in aid to cantonment funds for conservancy and sanitation. Generally cantonment rates and cesses provide the funds required to meet these charges, but in some cases it is impossible to levy rates sufficient to meet the charges for improvement in sanitation, &c., requisite to secure the health of the troops. In such cases the cantonment funds are supplemented by Imperial grants; and in recent years it has been found necessary to somewhat increase these grants, partly owing to the opening of new cantonments as in Upper Burma, &c., and partly owing to the necessity for improving the sanitary conditions of certain of the older and poorer cantonments. The largest increase has occurred in Bengal. Attempts are now being made to limit the total yearly grant to a fixed sum, which is distributed by the Commander-in-Chief at his discretion, but is not to be enlarged. The charge in 1893–4 was specially large, Rx. 20,416; in 1894–5 it amounted to only Rx. 16,718; in 1895–6 to Rx. 13,971, and the Budget grant for 1896–7 was only Rx. 12,732. I may add that these charges have been transferred since 1893–4 to grant 7 "barrack establishments, supplies, &c.," and not to grant 9 "medical" as stated in A. 5002.

15,040. In making the comparison between 1893, 1894, and 1895, is it not the fact that you are taking the charges as they actually stand in the Accounts?—Yes, under whichever head they occurred.

15,041. What is the meaning of the phrase "Conservancy Charges." What is "Conservancy" in that connexion?—It is the charges for the keeping of cantonments clean.

15,042–5. Have you any more detailed explanation to give of the increased charge in the Remount Department?—The following is a detailed comparison of the charges for the Remount Department, &c., in 1884–5 and 1893–4:—

	1884–5.	1893–4.	Increase + Decrease −
	Rx.	Rx.	Rx.
Supervising Staff and Establishments.	2,778	3,371	+ 593
Reserve Depôts - -	13,912	26,415	+ 12,503
Remount Depôt - -	2,238	2,178	− 60
Veterinary Inspection -	7,205	9,772	+ 2,567
Horse-breeding Operations -	4,434	—	− 4,434
Station Veterinary Hospitals and Veterinary Schools.	—	32,246	+ 32,246
Total Establishments -	27,789	70,611	+ 42,822
Purchase of Remounts, &c. -	104,967	146,740	+ 41,773
Feed of Cattle and Remounts, &c.	9,185	35,414	+ 26,229
Miscellaneous - -	14,069	41,432	+ 27,363
	158,788	297,568	+ 138,780

15,046. Then I believe you have some explanations to give in respect to these large increases?—Yes. The increase under Reserve Depôts is due to two new depôts having been established and an old one re-established and enlarged, partly owing to the system adopted of purchasing and rearing young stock with a view to encourage horse-breeding in India, and partly owing to the increased number of remounts required yearly

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owing to the augmentation of the mounted branches. The number of remounts required yearly has risen by 20 per cent. (from 1345 to 1618) owing to the last cause. The purchase of young stock has further largely increased the numbers at the depôts, where also ordnance mules are now kept in reserve, and there are a large number of bullocks for siege trains, and for the cultivation of the farms attached to the depôts. Then the Station Veterinary Hospitals and Schools have been started since 1884–5; the charge was at first taken under the Medical Grant (9), but was in 1887–8 brought to this head.

15,047. In 1884–5 did the expenditure from the Medical grant on veterinary hospitals and schools at all correspond to that 32,000 Rx., or has there been a very large increase?—There was no expenditure on that account in 1884–5.

15,048. But under the head Medical; it was first charged to the Medical grant, was it not?—Yes, when it was first started; but that was after 1884–5. The charge is a new one since that year. Then the increase in the purchase of remounts is due to the increased number of remounts owing to the augmentation of the mounted branches, to their increased price, and to the inclusion of the charge for purchase of young stock, mules for mountain batteries, and bullocks for siege trains, as well as for the cultivation at the depôts. The details are :—

——	1884–5.	1893–4.
	Rx.	Rx.
Remounts - - - - -	103,837	114,931
Young stock - - - - -	—	21,528
Mules for Mountain Batteries -	—	9,745
Ponies for Mounted Infantry (Burma)	—	276
Contingent and Miscellaneous - -	1,130	260
	104,967	146,740

"Feed of Cattle, and Remounts, &c." and "Miscellaneous" must be taken together, as "Miscellaneous" includes charges for cultivation of the grain (for feed, &c.) raised at the depôts instead of being purchased in the market. The rise is due to the increased number of animals at the depôts.

15,049. Now, does not part of that very large increase arise from what Sir Henry Brackenbury spoke of, viz., the steps that have been taken to increase transport?—No; I do not think that any of the transport charges come under this heading.

15,050. (*Sir Donald Stewart.*) But you refer, I think, to the increase in the number of the cavalry branch. The Native cavalry does not involve any remount charge?—In Madras it does.

15,051. Oh, yes; only to that extent, though?—Yes, only to the extent of the Madras Cavalry.

15,052. (*Sir Ralph Knox.*) Is there not a larger number of animals now being maintained with reference to mobilisation transport?—Yes. The charges do not, however, come under the Remount head; they come under Commissariat and Transport.

15,053. But are not some of the horses raised at these remount depôts for transport purposes?—I do not think any horses are used for transport purposes.

15,054. (*Chairman.*) Then with reference to the Clothing Department, Appendix 18 (to which reference is made in the footnote to Q. 5026 (merely indicates the sub-heads under which the increase in the expenditure of the Clothing Department has occurred, but does not elucidate the causes of the increase under those heads. Can you give us any information as to these causes?—Taking the figures in that Appendix, the following are the explanations :—

Superintending Establishments, Manufacturing and Store Establishments.—Decrease due to abolition of Bombay factory, the Madras factory supplying both Bombay and Madras. The Calcutta and Madras factories have both been enlarged, but there is a net saving on the whole.

Clothing, supplies and services: Factories: Regimental.—It is convenient to take these together; but it will be well to separate off the charges for locally purchased stores and for clothing for reserve forces. The figures then are :—

——	1884–5.	1893–4.
	Rx.	Rx.
Locally purchased stores - -	56,644	101,492
Clothing for reserve forces - -	—	6,708
Other charges - - -	26,646	32,706
	83,290	140,906

Taking the stores purchased locally with the English stores, and omitting exchange, the total charges for comparison would be (233,959 + 56,644) 290,603 in 1884–5 against (200,699 + 101,492) 302,191, an increase of only 11,588, which is more than accounted for by the increase in the number of the forces.

The increase under "Other Charges" is also due to the augmentation in numbers.

15,055. When you say "omitting Exchange," in what figures do you state the stores got from England?—The stores got from England were in 1884–5 233,959*l.*

15,056. Those are pounds?—Yes, those are pounds.

15,057. And in the last year they were 200,000*l.*?—200,699*l.*

15,058. Then there was compensation in lieu of clothing?—That is fixed in sterling, so that the rupee charge has been largely enhanced by the fall in exchange. The augmentation of the forces accounts for the rest of the increase, but there has also been a change of system from 1st April 1893.

15,059. Have you any supplementary information to give us with regard to the Barrack charges?—About Rx. 20,000 of the total increase of Rx. 40,000 is due to items transferred to this head from other heads of charge between 1884–5 and 1893–4. The balance of Rx. 20,000 amounts to very little over 10 per cent. on the charge in 1884–5, and is more than accounted for by the increased strength of the army and the annexation of Upper Burma.

15,060–2. There is a large increase in the charges for the administration of Martial Law. I think you have got something to add upon that, have you not?—Yes. It appeared in the answers given on this point that there had been a very large increase under that head; but the fact is that there has been a real and substantial decrease, the apparent increase being due to the alteration in the procedure for bringing to account the charges for military prisons, as illustrated by the following detailed figures :—

——	1884–5.	1893–4.
Charges on account of military prisons	1,163	192,491
Other charges - - - -	282,538	215,301
Total - - -	283,701	407,792

The alteration which was introduced in 1888 consisted in bringing to charge the gross amount for the military prisons, and not charging the pay of the prisoners against Grant 3, while previously their pay was drawn and charged against Grant 3, and made over to the prison authorities, who met the charge for military prisons out of it, debiting to army only the net charge in excess.

15,063. Therefore there ought to be a corresponding decrease under the item of pay?—Yes.

15,064. Next, I will draw your attention to the Medical Department?—There was a large increase of Rx. 172,000 in the charges of the Medical Department between 1884–5 and 1893–4. The increase in Establishments is, however, not large, it amounts altogether to Rx. 59,058, of which about Rx. 11,000 are accounted for by the new Nursing Service, and about Rx. 26,000 by the Exchange Compensation Allowance, while about Rx. 3,000 are for training of military pupils at medical colleges and schools, about Rx. 2,000 for grants in aid to Cantonment Hospitals, and Rx. 7,000 for improvements in the Army Hospital Corps. This leaves only Rx. 10,000 for general increase, which is fully accounted for by the augmentation of the army and the occupation

of Upper Burma. There have been re-organisations, but the extra cost of them has been met by reductions elsewhere. The remainder of the increase is made up as follows :—

	Rx.
Medicines and Medical Stores (deducting issues to Civil)	40,000
Dieting Sick	40,000
Medical Comforts	20,000
Hospital Equipments	12,000
Other Charges	1,000
Total	113,000

The "issues to civil" of medical stores were unusually large in 1884–5, and decreased the net charge by 48, or 18 more than in 1893–4. The charges for stores are very fluctuating, as they are for the actual purchases, not for the issues, and it is hardly possible to compare one individual year with another. The charges do, however, show a tendency to increase, though not to the same extent as would appear from comparisons of single years.

The charges for dieting the sick, medical comforts, and hospital equipments have increased more than proportionately to the increase in the army, &c.; and the increase in the last few years has been specially large. The local purchase of stimulants has increased the charge; there was, however, a much larger number of European troops sick in 1893–4 than in 1884–5, the daily number of sick per 1,000 having risen from 67 to 87, or by 30 per cent.; there was a fall in the corresponding figure for native troops from 35 to 32; but, on the whole, the increase was very considerable.

15,065. When you say the "issues to civil," do you mean by that the Civil Departments?—Yes, to civil hospitals and dispensaries; they have no separate store department; they procure their stores through the Military Department, and repay the charges to that Department.

15,066. (*Mr. Buchanan.*) There is going to be an increase, is there not, in the pay of army medical officers in India, from this year onwards?—(*Sir Henry Waterfield.*) Yes, there is.

15,067. Will that substantially increase the expenditure?—I cannot say at this moment.

15,068. (*Sir Donald Stewart,*) It has not come into operation yet?—No, but the question was, I think, whether there is going to be an increase.

15,069. (*Mr. Buchanan.*) It has been announced in public by the Secretary of State?—It has been accepted. I find that the additional expense is estimated at Rx. 13,900 a year.

15,070. Has the movement demanding that increase come from the Government of India?—No. I think the movement has come from home.

15,071. Because I see Mr. Jacob, in his former evidence, in answer to Q. 5043, stated, on behalf of the Government of India, that there was no increase of medical pay anticipated?—It has occurred very lately in consequence of representations made by the War Office as to the necessity of adding to the pay; and the Government of India have accepted it.

15,072. Is this another of those increased charges that we have heard something about?—It is an increased charge; but in this case the Government of India have agreed to it. I think it is admitted to be a necessity—that the officers cannot be obtained without it.

15,073. Is it the same sort of assent that they gave to the Zanzibar and Mauritius Cable?—I do not think there was any reluctance expressed in this case.

15,074. (*Sir Ralph Knox.*) The demand has come, not from the War Office, but from the medical authorities, has it not?—Yes, I believe that is so.

15,075. (*Mr. Buchanan.*) And it is satisfied at the expense of India?—Only in regard to the officers employed in India, not in regard to the British officers.

(*Sir Ralph Knox.*) It is equalising the pay in India to what it is out of India.

15,076. (*Mr. Buchanan.*) But the movement came from the medical authorities at home in general, and it is satisfied at the cost of the Indian Exchequer?—I thought that there had been an increase also in the pay of medical officers in the British regiments.

15,077. (*Sir Ralph Knox.*) The increase to the British pay was made some years ago?—Yes.

15,078. (*Mr. Buchanan.*) The Indian pay is still greater than the British pay?—There are allowances in India, but the pay, I believe, is the same.

15,079. And they make it much higher than the British pay.

15,080. (*Chairman.*) On the Ordnance Department I think you have something to add to your previous evidence?—(*Mr. Jacob.*) Yes, the increases in charge there have been mainly in stores, and the wages of labour for working them up. The establishments have been very slightly increased; I can give details if it is desired.

15,081. Well, I observe that the total increase is Rx. 333,000 upon Rx. 500,000 in 1884–5, and is made up first of all of increase on local supplies Rx. 92,000. Can you give us any explanation on that head?—There is also a large increase in local supplies for arsenals and depôts of Rx. 58,000.

15,082. You class those all together?—Yes.

15,083. That would be very nearly half the increase?—Yes, the increase there is fully accounted for by the much larger return which Sir Edwin Collen referred to in his evidence.

15,084. That is to say, stores are much more largely manufactured in India now than they were before?—Yes.

15,085. And I suppose there is very much the same explanation of such an increase as Rx. 41,000 upon arsenals and depôts; in order to carry out this increased manufacture you want larger establishments, I suppose?—Yes, and the increase has been very small in the superior officers. There has been an increase of five ordnance officers, but the main increase has been in the subordinate officers and in the subordinate establishments.

15,086–7. I see the issues to Civil Departments vary very much and must tend to throw out your estimates, do they not? Rx. 98,000 in 1884–5, and Rx. 31,000 in 1893–4. Does not that imply very varying demands upon the Department?—Yes, but I think the Department generally has notice beforehand, so that it provides for them in its estimates.

15,088. Is there any other point on this estimate to which you would like to call attention?—I do not think there is any point of importance.

15,089. Can you explain the large increase in pensions to European officers payable in India?—They were referred to in Qs. 5021 to 5085, and some surprise was expressed at the large increase in the amounts paid to European officers in India. The following are the details of the charges, in 1884–5 and 1893–4.

——	1884–5.	1893–4.
	Rx.	Rx.
Commissioned Officers' pensions	12,835	9,624
Amount of such pensions capitalized	7,979	32,868
Other pensions to Europeans	63,492	73,092

It will be seen that the increase is chiefly accounted for by the increase in the capitalised pensions, the capital value always being paid in India. It may be noted that the total of the pensions to commissioned officers residing in India has decreased, and that the bulk of the pensions are payable to warrant and non-commissioned officers residing in India. The increase in these pensions is due to the fall in exchange, the pensions being fixed in sterling, and paid at the official rate of exchange of the year. The amount of pensions capitalised has fluctuated considerably from year to year, and the figure for 1884–5 under that head is exceptionally low. The amounts for each year have been :—

	Rx.		Rx.
1883–4	22,482	1889–90	55,132
1884–5	7,979	1890–1	44,706
1885–6	22,594	1891–2	32,054
1886–7	27,348	1892–3	26,137
1887–8	44,803	1893–4	32,868
1888–9	22,733		

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The fluctuations appear to be purely fortuitous. The rules under which officers may commute a portion of their pensions are given on page 273 of the India List.

15,090. Then there is an increased charge for pensions to natives?—Yes. The details for 1884–5 are not available, but comparing the estimate for 1886–7 (which corresponds very closely with the actuals for 1884–5) with the actuals for 1893–4, the increase of Rx. 61,000 is thus shown:—

Pensions of combatants - -	31,000
,, of Sub Medical Department -	1,000
,, of regimental followers -	8,000
Compensation for dearness of food -	15,000
Gratuities - - - -	1,000
Family pensions - - -	5,000
	61,000

The increase in the pensions of combatant officers and men is 31 on 559, or only about 5½ per cent. in nine years. This is not large, considering that improved pension rules were introduced in 1878, and that there has been a reconstitution of several regiments in the last few years. The main part of the increase has occurred only since 1890–1, when this reconstitution commenced. There has been some tendency to increase the number of regimental followers, to whom pensions are granted. Compensation for dearness of food is granted to pensioners only in Madras. It has risen with the rise in price of food grains.

15,091. (*Sir Ralph Knox.*) Are these pensions of the native officers and men?—Yes.

15,092. Not of officers of the Staff Corps?—No; they come under the head "Europeans."

15,093. You have not been dealing with those?—I dealt in my previous answer with their pensions, but only with the pensions of those residing in India; the commissioned officers residing in India are very few.

15,094. You said something about the pensions always being capitalised in India?—Yes, if European officers capitalise their pensions they are obliged to take the payment in India in rupees.

15,095. (*Chairman.*) Can you give us any more detailed explanation of the increased charge under Grant 3, Regimental Pay and Allowances, between 1884–5 and 1893–4?—Yes, the increase in the European army charge was Rx. 1,068,000, and in that for the Native Army Rx. 651,000. Of the increased cost in the European Army, Rx. 668,000 was due to the increased rate at which the British soldier was paid, owing to the fall in exchange from 1*s.* 8*d.* to 1*s.* 2⅜*d.*, and Rx. 87,000 was due to exchange compensation, so that Rx. 755,000 out of the Rx. 1,068,000 was due to the fall of exchange, leaving a balance of only Rx. 313,000 as due to all other causes, including the augmentation of the Army. The charges for Staff Corps, General List, Unattached and Unemployed Officers, and for the Veteran and Invalid Establishments, and Colonel's Allowances, have, however, been reduced, and there were also in 1894–5 large charges for bounties for extending service, which account for a further reduction. Taking, therefore, the regimental charges (artillery, cavalry, infantry, and engineers) alone, and excluding exchange on British soldier's pay and exchange compensation, the total cost has risen from Rx. 2,530,000 to Rx. 2,951,000, or by Rx. 421,000. The following table gives this increase in detail, compared also with the augmentation of the strength of the force:—

EUROPEAN ARMY.

Branch of Service.	Established Strength, all Ranks.				Cost (Thousands of Rx.).			
	1884–5.	1893–4.	Increase.		1884–5.	1893–4.	Increase.	
			Actual.	Per Cent.			Actual.	Per Cent.
Artillery - -	11,337	13,318	1,981	17·5	688	774	86	12·5
Cavalry - - -	4,302	5,679	1,377	32·	269	303	34	12·5
Infantry - -	45,656	53,713	8,057	17·6	1,563	1,867	304	19·5
Engineers - - -	292	339	47	16·1	10	7	— 3	— 30·
	61,587	73,049	11,462	18·6	2,530	2,951	421	16·6

It will be seen that the increase in cost is proportionately less than the increase in strength, and that is true in the case of every branch except the infantry. In the case of the infantry, this is due to the fact that the actual strength was in 1884–5 considerably below the established strength, while in 1893–4 the actual strength was above the established strength. The increase occurs entirely in the pay of non-commissioned officers and men. Of the increased charge of Rx. 651,000 for the Native army, Rx. 95,000 arose out of exchange compensation. Details of the balance of Rx. 556,000, together with particulars as to the augmentation in strength are given below:—

NATIVE ARMY.

Branch of Service.	Established Strength of all Ranks.				Cost in Thousands of Rx.			
	1884–5.	1893–4.	Increase.		1884–5.	1893–4.	Increase.	
			Actual.	Per Cent.			Actual.	Per Cent.
Artillery - -	1,984	4,543	2,559	129·	28	48	20	71·4
Cavalry - - -	18,824	23,426	4,602	24·4	951	1,240	289	30·4
Infantry - -	101,926	113,702	11,776	11·5	2,098	2,231	133	6·3
Sappers and Miners -	3,210	3,965	755	23·5	107	125	18	16·8
Other heads - -	—	—	—	—	101	197	96	—
Total - -	125,944	145,636	19,692	15·6	3,285	3,841	556	17·

15,096. You might give us the percentage?—The percentage of increase of strength is 15·6, and of increase of cost 17. In this case the charge has increased at a slightly higher rate than the strength, but this is due entirely to the specially large increase in the cost of the cavalry owing to the grant in Bengal and Bombay of 4 Rs. extra a month to all but commissioned ranks. This charge alone accounts for an increased charge of Rx. 98,000 calculated on the strength in 1893–4; but for this change, therefore, the

increased percentage for the cost of the cavalry would be only 20, and the increase in the total cost would be reduced to Rx. 458,000, or just under 14 per cent. Of the increase under "other heads" Rx. 51,000 arise out of the creation of the Reserve Forces, and the balance of Rx. 45,000 occurs mainly on account of—

	Rx.
Recruiting Depôts - - -	7,000
Kit money for recruits - -	20,000
Annual grant in aid of half-mounting	17,000
	44,000

15,097. (*Sir Ralph Knox.*) When was the increase to the pay of the cavalry granted?—In 1891-2.

15,098. (*Chairman.*) Well, under this head of Pay and Allowances we should naturally look, apart from the increase in the Army, for some decrease owing to those transfers of which we spoke earlier in the day; you will remember there were Rx. 192,000* transfers under the head of "Prisons"?—Yes.

15,099. Therefore, to a certain extent there have been transfers from this grant which were not savings, and which, if they had not taken place, would have left a much larger increase upon the grant?—Yes, they would have increased the percentage of cost.

15,100. Therefore, we must not take too literally the proportion between the increase of strength and the increase of charge?—No; of course, those proportions would have to be corrected by the transfers from this head.

15,101. Quite so?—But they would also have to be corrected by certain other transfers to this head which have been made.

15,102. Then, on the whole, you would represent that, leaving out the increase due to the fall in the rate of exchange, the increase in charge both in the case of the European and the Native Army is less than proportionate to the increased strength? That is, after you have allowed for such transfers to and from the grant as we have been talking of?—Yes. I think that upon the whole the increase in cost would be slightly less than proportionate to the increase of strength.

15,103. And the bulk of the increase is due to the fall in exchange?—Yes.

15,104. (*Mr. Courtney.*) In what items has there been a real decrease?—There has not been any real decrease, any absolute decrease, but there has been a decrease in proportion to strength. The army was increased in 1885-6.

15,105. If you increased the Army 20 per cent. and the charge only 15 per cent., upon some items there must have been a real decrease; what are those items?—One of the increases to the Army was made largely by increasing the numbers of men in each individual regiment, so that the number of officers was not increased in proportion to the increase of the strength. That accounts for a considerable amount of the decrease of the proportion of the cost.

15,106. Has there been any decrease of the cost of any branch of the service?—This grant that I am dealing with now deals only with the pay of the officers and men.

15,107. And there has been no decrease of pay at all?—There has been no decrease in pay; but the proportion of officers to men is smaller, so that the increase in cost is less than proportionate to the increase in the strength.

15,108. (*Chairman.*) The total increase in cost, as you have shown in these two tables, is for the European Army Rx. 421,000, and for the Native Army Rx. 556,000, is it not?—Yes.

15,109. Those sums together make Rx. 977,000?—Yes.

15,110. Now, supposing you were to add that to the Rx. 192,000,* which, I think, was the figure transferred under "Prisons," was it not?—Yes, about Rx. 191,000 had been added.

15,111. Rx. 191,000; that would carry you on to an increase of Rx. 1,069,000?—Yes.

15,112. That would go very far to bring those two percentages together, the increase in force being 18·6 per cent., and the increase in cost 16·6 per cent? If you were to add on that transfer, it would bring those two percentages together?—Yes, it would bring them very nearly together.*

15,113. I only give that as an example, with reference to what Mr. Courtney was asking you, to show that probably the difference in the percentage between the strength and the cost is more due to changes which have taken place in the grant than to the fact that the increased force costs less than the smaller force that was there before?—My point, however, was, not that there has been an actual decrease to any great extent, but rather that the increase has not been greater than would be proportionate to the increase in strength.

15,114. (*Sir Ralph Knox.*) And that increase was in the cheapest part of the force?—Yes.

15,115. (*Chairman.*) In Appendix 18 figures are given showing the details of the increase in commissariat charges (Grant 4) between 1875-6 and 1893-4. Can you give us similar figures comparing the charges in 1884-5 and 1893-4?—I have a table here which gives similar figures. The table gives details of the increase for the last 10 years from 1884-5 to 1893-4, including in 1884-5 the charges for compensation for dearness of provisions, which in Bombay and Madras were in that year shown under Grant 14, Miscellaneous. This increases the total for 1884-5 in round numbers from Rx. 2,200,000 to Rx. 2,300,000.

	1884-5.	1893-4.	Increase
Establishment.	Thousands of Rx.		
Supervising staff - -	34	38	4
Executive Establishment, including transport branch and ambulance transport.	265	291	26
Subordinate establishments -	149	174	25
Khedda establishments - -	11	9	−2
Cattle farms - - -	4	4	—
Agent for Government consignments.	—	−2	−2
Total Establishment -	463	514	51
Supplies.			
Provisions for Europeans -	485	732	247
„ Natives - -	103	233	130
Compensation for dearness of provisions.	147	274	127
Compensation for dearness of forage.	21	32	11
Malt liquor purchased locally -	204	317	113
Rum - - - -	—	9	9
Dairy farms - -	—	1	1
Purchase of reserve stock -	66	31	−35
Contingent expenses - -	7	—	−7
Total Supplies -	1,033	1,629	596
Services.			
Sea and inland water charges -	21	32	11
Railway charges - -	289	413	124
Feed of horses and cattle -	148	239	91
Purchase of live stock - -	1	62	61
Implements, Godoun furniture, &c.	14	46	32
Transport branch (chiefly feed of transport cattle).	253	341	88
Other heads - -	104	127	23
Total Services - -	830	1,260	430
Grand total -	2,326	3,403	1,077

The increase under Establishments is only 51, and is entirely due to the augmentation of transport; the increase under Subordinate Establishments occurs mainly in Cattle Establishment and is due to the increased number of transport cattle maintained.

* *See* footnote in the next column.

* *Note.*—It escaped my notice, when under examination, that the table in Q. 15,060-2 is stated in *Rupees*, not in Rx. The figure to be added on account of the transfer from regimental pay to the prison grant is only Rx. 19,000, a sum which will not materially affect the percentage (16·6) of increase of cost.—S. J.

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15,116. Is that the answer to the question I put to you before, as to whether under the Ordnance Grant the increase of transport was included, and you said, "No; it is included under another heading"?—Yes. The increase of establishments due to increase of transport occurs under this heading. The charges for provisions for Europeans have risen as follows:—

——	1884–5.	1893–4.	Increase.
	Thousands of Rx.		
Bengal and Punjab -	290	393	103
Madras - - -	79	190	111
Bombay - -	116	149	33
	485	732	247

The increase is proportionately much the largest in Madras, where it is mainly due to the largely enhanced expense on account of the increased number of troops in Burma, and especially in Upper Burma. Taking the cost in each year against the established strength, the figures work out as follows:—

——	1884–5.			1893–4.		
	Cost in thousands of Rx.	Established Strength.	Cost per Head in Rx.	Cost in thousands of Rx.	Established Strength.	Cost per Head in Rx.
Bengal and Punjab.	290	36,972	7·85	393	43,553	9·01
Madras -	79	11,169	7·04	190	13,285	14·32
Bombay -	116	11,077	10·45	149	13,673	10·89
	485	59,218	8·18	732	70,511	10·38

The great increase is in Madras, where the cost rose from 7·04 in 1884–5 to 14·32 in 1893–4.

15,117. There is a considerable increase of cost per head?—Yes. The actual strength was considerably below the established strength in 1884–5, while it was slightly above the established strength in 1893–4. Allowing for this difference, it may be said that the increased cost in Bengal and Bombay is very slightly in excess of what is proportionate to the increased strength, and may be fully accounted for by a slight rise in prices. The main increase in cost in excess of increased strength arises in Madras, and is due to the increased cost in Burma mentioned above.

15,118. I do not gather that you have given a reason for that increase. Is it increase in the cost of provisions?—Yes; I explained that it is largely due to the increased strength.

15,119. The increased strength would not explain it because it is cost per head. The cost per head in 1884–5 was Rx. 8 odd, and in 1893–4 Rx. 10 odd?—Yes, of course, the increase per head would be due to the increase in the cost of provisions.

15,120. And do you know at all how that arose; is there such a marked increase as that in the cost of provisions?—I do not think the increase is very marked. In Bengal and the Punjab it is only an increase from 7·85 (which is almost Rx. 8) to Rx. 9 in 1893–4, and in Bombay from 10·45 to 10·89. The increase is almost entirely in Madras, and is due to Burma.

15,121. (*Sir Donald Stewart.*) That is entirely due to the occupation of Upper Burma?—Yes.

15,122 (*Chairman.*) And are provisions very dear in Upper Burma?—Extremely dear.

15,123. That accounts for it?—Yes.

15,124. (*Mr. Courtney.*) It is an increase of something like 13 per cent. in Bengal?—Yes. I should say that the increase in prices quite accounts for that.

15,125. (*Chairman.*) While in Bombay you could hardly say it is an increase at all, it is so small?—It is an increase of about 4 per cent. in Bombay.

15,126. Then provisions for natives?—The charges for provisions for natives have risen as follows:—

——	1884–5.	1893–4.	Increase.
	Thousands of Rx.		
Bengal and Punjab -	18	64	46
Madras - - -	23	125	102
Bombay - -	62	44	– 18
	103	233	130

In most cases Native troops ration themselves, receiving compensation when prices are exceptionally high; they are rationed by Government only when on foreign service, when serving beyond sea, and when travelling by sea or river. Service in Upper Burma, in Beluchistan, in the Eastern Frontier Districts of Assam, at a few other frontier stations, and at Aden, is reckoned as foreign service, or service beyond sea, and the Native troops in these districts and at these stations receive either rations in kind or a money allowance equivalent to the cost of the full ration. The main part of the increase occurs under Madras, and is accounted for by the larger number of troops stationed in Burma. In 1884–5 there was only one military district in Burma with four Native regiments; in 1893–4 there were 15 regiments, out of which nine were stationed in Upper Burma (Mandalay and Myingyan Districts) where the cost of food grains, &c., is greater than in Lower Burma, and several of these were stationed at small frontier stations, the rationing of which is extremely costly.

Bombay and Bengal must be taken together, as Beluchistan was for commissariat purposes included in the former in 1884–5, and in the latter in 1893–4. The increased cost here is mainly accounted for by the increased strength of troops stationed in Beluchistan (six regiments of Native infantry in the earlier year against eight regiments in the latter year) and by the fact that these troops are distributed over a much larger number of stations (17 against 8), several of the new stations being small frontier stations where the expense is greater. The commissariat arrangements in Kashmir and Gilgit have also caused increased charges. And there has been generally some rise in the cost of provisions.

15,127. Did you say Beluchistan was in Bengal?—For commissariat purposes.

15,128–30. (*Mr. Courtney.*) It has been transferred, then?—Yes, for commissariat purposes.

15,131. (*Sir James Peile.*) It is under Bengal only as being under the Bengal Army?—It is included in the Bombay Command, but for commissariat purposes only it is in the Bengal circle of control.

15,132. (*Chairman.*) We now come to compensation for dearness of forage?—Compensation for dearness of forage is given to Native cavalry only in Bengal and Bombay; it is based upon a rate of Rs. 13½ per mensem for feed and keep of horse; the excess over which, as determined by price lists furnished by the civil authorities, is granted as compensation. In Madras the horses of the Native cavalry are the property of, and fed by, the State, the charge coming under "Feed of Horses." The details for Bengal and Bombay are as follows:—

——	Thousands of Rx.		
	1884–5.	1893–5.	Increase.
Bengal and Punjab - -	10	6	–4
Bombay - - - - -	11	26	15
	21	32	11

The decrease in Bengal is due partly to the revision of the rules for the grant of this compensation in 1890, and partly to measures commenced in the same year for giving assistance to certain Bengal regiments to induce them to grow grass for themselves.

The assistance so given amounted to Rx. 6,000 in 1893–4. In Bombay the charges have fluctuated con-

siderably from year to year with changes in prices; the charge in 1893–4 is lower than in any previous year since 1886–7 (though it was lower than in 1894–5, being then only 20) owing to the low prices prevailing in that year. A very large proportion of the charges occurs in respect of Beluchistan, which accounts for four out of the six in Bengal, and for 10 out of the 26 in Bombay in 1893–4. The other stations in Bombay in which amounts in excess of Rx. 1,000 were paid in 1893–4 were—

Aden	1·3
Bombay	1·4
Deesa	2·5
Poona	3·8
Sirur	3·2
	12·2

The average rate of compensation drawn in Bombay at stations at which, and for periods for which, compensation was drawn, was about 9½ Rs. per horse per mensem, but the average varied from 1 Re. to Rs. 15 at different stations, the highest rate being paid at Aden.

15,133. Then compensation for dearness of provisions?—Yes; compensation for dearness of provisions was referred to in Qs. 5115–5150. The figures on which these questions were based were to some extent erroneous, as was explained in my answers numbered 5339–5344 (p. 221). Such general explanation of the increase in the charge as then seemed possible was given in the same answer; but since then I have been furnished with an analysis of the payments made on this account in 1893–4, and I can, therefore, give some more details. The total figures by provinces are :—

	Thousands of Rx.		
	1884–5.	1893–4.	Increase.
Bengal and Punjab	33	127	94
Madras	70	88	18
Bombay	44	59	15
	147	274	127

It will be seen that the increase occurs mainly in Bengal and the Punjab; but it may be noted at once that, comparing the present cost with the established strength, the cost is proportionately less in those provinces than in Bombay and Madras, so that the increase would appear to be due not to an absolutely higher range of prices prevailing, but to a greater proportionate rise in prices in the former provinces than in the latter.

Before pursuing this point further, however, it seems desirable to give some further details of the charge in 1893–4. And first it must be noted that compensation is granted not merely to fighting men, but to native followers also, while in Madras it is also given to family certificate holders (*i.e.*, to families of men living separately from them, when they are absent on foreign service or over sea). The amount paid in 1893–4 for compensation is thus distributed between these various classes :—

	Thousands of Rx.				
	Bengal.	Punjab.	Madras.	Bombay.	Total.
Fighting men	70	43	66	55	234
Followers	9	5	14	4	32
Family certificate holders	—	—	8	—	8
	79	48	88	59	274

The proportion of the compensation paid to followers to that paid to fighting men is higher in Madras than elsewhere, because in Madras followers are entitled to compensation on the scale applicable to fighting men, while in the other provinces they receive it on a lower scale.

As regards fighting men, the following table gives particulars of the compensation drawn at the various stations, specifying the number of men, the amount drawn, and the rate at each station where more than 400 men on the average drew compensation.

COMPENSATION FOR DEARNESS OF PROVISIONS, 1893–4.

Presidency or Division.	Station or Number of Stations.	Average Number of Men.	Total Amount passed (Thousands of Rx.).	Average Rate of Compensation per Mensem.
				Rs. A. P.
	Above Rs. 5 per Mensem.			
Bengal	Udalgiri	22	·2	8 15 8
	Shillong	746	7·5	8 6 3
	Buxa	313	2·3	5 15 11
	Dorunda	442	3·0	5 11 9
	Silchar	610	4·2	5 11 5
	Jallapahar	136	·9	5 11 3
	Sadiya	76	·5	5 5 0
	7 Stations	2,345	18·6	
	Above Rs. 2 and below Rs. 5 per Mensem.			
	Dibrugarh	263	1·5	4 10 11
	Barrackpore	797	3·3	3 7 8
	Calcutta	1,580	6·6	3 7 6
	Benares	729	2·2	2 8 3
	Dinapore	487	1·3	2 4 8
	Lansdowne	1,395	3·6	2 2 2
	5 small Stations	148	·5	Varying rates.
	11 Stations	5,399	19·0	
	Above Re. 1 and below Rs. 2 per Mensem.			
	Almora	622	1·4	1 14 11
	Allahabad	1,366	3·1	1 14 2
	Dehra Dun	1,794	3·6	1 11 0
	Fyzabad	1,246	2·5	1 11 0
	Bareilly	1,420	2·5	1 7 3
	Lucknow	2,054	3·3	1 5 1
	Jubbulpore	915	1·4	1 4 1
	Cawnpore	1,257	1·8	1 3 2
	Delhi	851	1·2	1 3 2
	Agra	899	1·1	1 0 5
	Jhansi	946	1·2	1 0 2
	10 small Stations	815	1·5	Varying rates.
	21 Stations	14,185	24·6	
	Below Re. 1.			
	Nowgong	1,321	1·5	0 15 4
	Saugor	1,093	1·3	0 15 3
	Erinpura	594	·7	0 15 2
	Roorkee	698	·7	0 14 3
	Meerut	1,146	1·1	0 13 3
	Sehore	701	·4	0 8 6
	8 small Stations	795	·7	Varying rates.
	14 Stations	6,348	6·4	
	On line of march	822	1·2	1 3 10
Total Bengal	53 Stations	29,099	69·8	2 0 0
	Above Rs. 2 and below Rs. 5 per Mensem.			
Punjab	Simla	71	·3	3 15 0
	Jutogh	131	·4	2 3 4
	2 Stations	202	·7	

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Presidency or Division.	Station or Number of Stations.	Average Number of Men.	Total Amount passed (Thousands of Rx.).	Average Rate of Compensation per Mensem.
	Above Re. 1 and below Rs. 2 per Mensem.			Rs. A. P.
Punjab	Dhamsala	1,666	3·6	1 12 6
	Abbottabad	2,337	4·7	1 11 0
	Kohat	2,347	4·2	1 8 0
	Bukloh	1,575	2·4	1 4 7
	Dera Ghazi Khan	1,018	1·4	1 2 3
	Rawal Pindi	2,347	3·2	1 1 11
	Nowshera	1,335	1·7	1 1 3
	Jehun	1,011	1·3	1 0 10
	Sialkote	1,969	2·4	1 0 6
	Peshawar	2,544	3·1	1 0 3
	Dera Ismail Khan	1,745	2·1	1 0 3
	22 small Stations	711	1·2	Varying rates.
	33 Stations	20,605	31·3	
	Below Re. 1.			
	Umballa	1,153	1·4	0 15 11
	Mooltan	1,431	1·6	0 15 4
	Meean Meer	2,115	2·4	0 15 1
	Ferozepore	1,729	1·9	0 14 5
	Mardan	1,100	1·1	0 12 9
	Juliender	1,010	·9	0 11 8
	Edwardesabad	1,574	1·4	0 11 7
	14 small Stations	816	·8	Varying rates.
	21 Stations	10,928	11·5	
Total Punjab	56 Stations	31,735	43·5	1 2
	Above Rs. 5 per Mensem.			
Madras	Cuttack	339	2·1	5 1 10
	Above Rs. 2 and below Rs. 5 per Mensem.			
	Bangalore	4,118	18·9	3 13 1
	Belgaum	1,628	6·3	3 3 11
	Quilon	605	2·1	2 13 7
	Secunderabad	4,324	14·1	2 11 6
	Cannanore	870	2·5	2 5 10
	Trichinopoly	1,527	4·2	2 4 10
	Madras	1,949	5·3	2 4 7
	Vizianagram	839	2·2	2 2 6
	Berhampore	521	1·3	2 2 6
	Bellary	1,437	3·6	2 1 7
	15 small Stations	317	1·2	Varying rates.
	25 Stations	18,135	61·7	
	Above Re. 1 and below Rs. 2 per Mensem.			
	9 small Stations	936	1·7	Varying rates.
	Below Re. 1.			
	2 small Stations	75	·1	Varying rates.
Total Madras	37 Stations	19,485	65·6	2 13 0

Presidency or Division.	Station or Number of Stations.	Average Number of Men.	Total Amount passed (Thousands of Rx.).	Average Rate of Compensation per Mensem.
	Above Rs. 2 and below Rs. 5 per Mensem.			Rs. A. P.
Bombay	Bombay	1,860	10·4	4 10 9
	Baroda	604	2·6	3 8 7
	Bhuj	700	3·0	3 8 5
	Poona	3,402	10·6	2 9 6
	Ahmedabad	592	1·8	2 7 8
	Sirur	516	1·5	2 7 6
	Karachi	829	2·3	2 5 3
	Rajkote	832	2·2	2 4 2
	Satara	806	2·2	2 4 0
	Ahmednagar	655	1·7	2 3 3
	35 small Stations	702	2·8	Varying rates.
	45 Stations	11,498	41·1	
	Above Re. 1 and below Rs. 2.			
	Hydrabad (Sind)	540	1·3	1 15 2
	Jacobabad	634	1·5	1 14 11
	Deesa	1,132	2·5	1 13 4
	Kamptee	681	1·4	1 12 3
	Mhow	1,315	2·4	1 8 9
	Raipur	426	·8	1 7 9
	Nusserabad	602	·9	1 4 2
	Neemuch	771	1·2	1 4 1
	35 small Stations	831	1·5	Varying rates.
	43 Stations	6,932	13·5	
	Below Re. 1.			
	11 small Stations	28	·0	Varying rates.
Total Bombay	99 Stations	18,458	54·6	2 4 0
Total for all India	245 Stations	98,777	233·5	2 Rs.

SUMMARY.

Above Rs. 5 per Mensem.

Bengal	7 Stations	2,345	18·6
Madras	1 „	339	2·1
	8 Stations	2,684	20·7

Above Rs. 2 and below Rs. 5 per Mensem.

Bengal	11 Stations	5,399	19·0
Punjab	2 „	202	·7
Madras	25 „	18,135	61·7
Bombay	45 „	11,498	41·1
	83 Stations	35,234	122·5

Above Re. 1 and below Rs. 2 per Mensem.

Bengal	21 Stations	14,185	24·6
Punjab	33 „	20,605	31·3
Madras	9 „	936	1·7
Bombay	43 „	6,932	13·5
	106 Stations	42,658	71·1

Presidency or Division.	Station or Number of Stations.	Average Number of Men.	Total Amount passed (Thousands of Rx.).	Average Rate of Compensation per Mensem.
		Below Re. 1.		Rs. A. P.
Bengal -	14 Stations - -	6,348	6·4	
Punjab -	21 „ - -	10,928	11·5	
Madras -	2 „ - -	75	·1	
Bombay -	11 „ - -	28	—	
	48 Stations -	17,379	18·0	
Bengal -	53 Stations - -	29,099	69·8	2 0 0
Punjab -	56 - -	31,735	43·5	1 2 0
Madras -	37 - -	19,485	65·6	2 13 0
Bombay -	99 „ - -	18,458	54·6	2 4 0
	245 Stations -	98,777	233·5	2 0 0

It will be seen that compensation was paid to 98,777 fighting men out of a total established strength of 141,213; that the compensation was paid at 245 stations (the amounts being in excess of Rx. 1,000 at only 64 of these), and that the average rate of compensation was Rs. 2 per mensem.

In a few stations the rates are very high, but these are all undoubtedly very expensive stations; and the propriety of the rate has formed the subject of special inquiry.

It is not possible to make a detailed comparison with 1884–5 or with any other year; but the following points may be noted.

(1.) In Madras the rates are much higher than in the other provinces, because rice is the food grain which is the basis of the calculation, and is generally much more expensive than wheat.

(2.) A reference to the totals for given years shows that there is some general relation between the scale of prices and the amounts of compensation paid. Thus 1894–5 was a cheaper year than 1893–4, and Government effected a saving in the cost of rations which it supplied directly; there was also a large saving in the compensation for dearness of provisions. The figures are as follows:—

	Thousands of Rx.
1893–4 - - -	274
1894–5 - - -	224

(3.) A comparison of the scale of prices in 1884–5 and in 1893–4, seems to justify the large increase in the amount of compensation paid in the latter year. It is not possible to compare the prices for all the stations at which compensation is drawn, but the increase is greatest in Bengal and the Punjab, and the following table compares the prices of wheat in 1884–5 and 1893–4 at the principal stations in those provinces at which compensation was drawn.

Wheat.	No. of Sers per Rupee (Retail Prices).	
	1884–5.	1893–4.
Calcutta - - -	16	12¼
Benares - - - -	18½	14
Allahabad - - -	18¾	13
Dehra Dun - - -	19	14
Fyzabad - - -	19¾	14¼
Bareilly - - - -	19¾	13¾
Lucknow - - -	21¾	15
Cawnpore - - - -	22	15½
Delhi - - - -	20	16½
Agra - - - - -	18¾	14¾
Meerut - - -	20⅓	16
Rawal Pindi - - -	30¾	14¾
Jhelam - - -	28	16⅔
Sialkote - - - -	27	14¾
Peshawar - - -	28	13
Dera Ismail Khan - -	23¾	16⅓
Umballa - - -	23¼	18⅔
Multan - - - -	18	14
Jullunder - - -	26	18

It will be seen that in all these cases the rise of price has been considerable; in those stations which are in *italics* the prices in 1884–5 were so low that no compensation at all can have been drawn in them in that year, though in 1893–4 the amounts drawn were considerable.

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15,134. Those prices point to a very considerable rise in retail prices, you may almost say throughout India, might you not?—Throughout Bengal, not India.

15,135. This is confined to Bengal?—Bengal and the Punjab.

15,136. Well, they point to a rise of close upon 25 per cent., would they not?—Yes.

15,137–9. Twenty to 25 per cent., I think?—Yes; and then, further, there is the point that the soldiers do not begin to get compensation until the price rises above a certain point, so that at stations where nothing was paid in 1884–5, there might be a considerable amount paid in 1893–4. You cannot, therefore, apply the percentage to the increase of price.

15,140. They show an increase in the price of food of something from 20 to 25 per cent., do they not?—I should think rather more than that on the whole.

15,141. (*Mr. Courtney.*) But you say they do not make the allowance for the rise in the price immediately?—Yes; they make the allowance immediately.

15,142. I thought you said they did not until they got beyond a certain limit?—Not until the cost of the standard ration gets beyond a certain limit. Compensation is given with reference to an assumed cost of 3½ rupees a month, and, unless the price of provisions makes the monthly charge exceed that, they do not get any compensation at all.

15,143. So that the apparent increase in price in 10 years may be much more than the real increase?—Than the real increase in compensation.

15,144. Well, if I understand you aright, it is something after this way: supposing a thing costs 4 rupees as the standard price—we will assume a standard price—and it rose to 4½ rupees, you would make no allowance—I am only giving you that in the rough—if it rose to 5 or 6 you would make an allowance, and the allowance would refer back to the standard price of 4 rupees?—Yes.

15,145. If that is the case, if it rose to 4½ or 5 at one period, and no allowance had been made, and then it had risen to 6, the apparent increase would have been from 4 to 6 in the second interval, whereas it would not have been so; in the second interval the increase would have been from 5 to 6?—Yes; but on the other hand the compensation would be nil in the earlier case, and it would be a considerable amount in the other; so that it would be infinitely larger in the later than in the earlier period.

15,146. Exactly; that is the conclusion I draw, that those figures do not show the real increase of price; they exaggerate the real increase of price?—They do not exaggerate the real increase of price; those are the actual prices.

15,147. The increase the allowance starts with is considerably beyond the increase of price in the last 10 years?—No; I should say the prices taken alone under-stated the increase in compensation, because, you see, if the compensation rises from nothing to one, you have an infinite increase in that.

15,148. Let us have figures which will simplify it. If I understand you aright, in the year 1880, something is at its normal price of 4 rupees. In 1885 it has risen to 5 rupees?—Yes.

15,149. But no allowance is made. In 1890 it has risen from this to 6 rupees. An allowance is made referring back to the original 4. Well, according to your returns, it would show between 1885 and 1890 an apparent increase from 4 to 6. Really from 1885 to 1890 it was from 5 to 6, because you took no notice that it had risen from 4 in the previous quinquennium?—Yes. (*Sir Henry Waterfield.*) The moment it exceeds the 3½, they begin to give the allowance; it might have been only 3 the previous year.

15,150. (*Sir Ralph Knox.*) Does the increase of price to which you have alluded vary from a price which was below the 3½ up to a price which is above the 3½?—(*Mr. Jacob.*) Yes, that is what I said; I have indicated in the table the stations in which no compensation at all was drawn in 1884–5.

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15,151. (*Chairman.*) There is a large increase in the charges for the purchase of malt liquor. Is that accounted for by the policy adopted by the Government of India of purchasing stores locally as far as that may be possible?—It is chiefly accounted for by this policy, as malt liquor is now exclusively purchased in India. In 1884-5, malt liquor purchased in England cost (including freight) 48,794*l.*, while in 1893-4 no charge at all was incurred for liquor so purchased. This alone would account (at the rate of exchange current in 1893-4) for an increase in the local charge of about Rx. 80,000. The balance is more than accounted for by the increased strength of the European forces.

15,152. (*Sir Ralph Knox.*) But the actual charge is cheaper than it was in the former period, that is to say, the malt liquor obtained in India was cheaper than the malt liquor imported?—Yes; the total net result is that there is a decrease per head in the charge, a decrease in the cost per gallon.

15,153. (*Chairman.*) In Q. 5533-5535, the fact was brought out that, while the charge in India for clothing stores had very largely increased between 1875-6 and 1895-6, there was no counterbalancing decrease in the corresponding charge in England. Can you give any further explanation of this point?—The questions referred to were based on a comparison of the actuals of 1875-6 with the estimate of 1895-6. The actuals of this last year are considerably below the estimate, and they do show some considerable decrease in the English charge. But I pointed out before that in a case of this kind a fair comparison cannot be based on the actuals of any two individual years. Clothing is not issued regularly, some supplies are annual and some biennial, and the expenditure proceeds even less regularly than the issues. I have now taken out the charges for each year from 1875-6 to 1895-6, and, taking quinquennial periods, the average figures for England and India work out as follows:—

	England.	India.	Total.
	£	Rx.	
1875-6, Actuals - -	235,171	38,695	273,866
1875-6 to 1879-80 Average -	276,100	35,322	311,422
1880-1 „ 1884-5 „ -	269,851	57,508	327,359
1885-6 „ 1889-90 „ -	252,756	95,268	348,024
1890-1 „ 1894-5 „ -	211,925	154,248	366,173
1895-6, Actuals - -	210,613	143,818	354,431

It will be seen that (without taking any account of the fall in exchange) the increase in the charge for 1895-6, which appears to be a fair average charge, is not more than proportionate to the augmented strength of the troops.

15,154. The troops were augmented by one-sixth?—(*Sir Henry Waterfield.*) One-sixth: 60,000 to 70,000.

15,155. From 273,000 to 304,000 is rather more than that?—(*Mr. Jacob.*) I was comparing the average for the period from 1875-6 to 1879-80 with the actuals for 1895-6. I say it is not fair to take an individual year, but in the case of 1895-6 there is not very much difference. You may, for purposes of comparison, take either the average from 1890-1 to 1894-5, or the actuals for 1895-6.

15,156. But, you see, during the period from 1890-1 to 1894-5, there was no increase of force. The increase of force had already taken place. The object of my question is to suggest that getting clothing in India does not appear to have led to an economy?—I should say it has led to economy.

15,157. No doubt there is a reason for it; but the increase of the army took place in 1885-6, and therefore in the quinquennial period 1885-6 to 1889-90 you really have got the charge of the increased army, and there the charge is 348,000*l.* Meantime you are carrying out this policy of getting clothing in India, and in the next quinquennial period 1890-1 to 1894-5 it has risen to 366,000*l.*; showing that so far there is not a proof of economy by making the clothes in India, because, though the army during that time had not increased, the charge for the clothing had?—I have not gone into the question of the intermediate increase. The previous question was with reference to the increase from 1875-6 to 1895-6.

15,158. Quite so; but you observe what I mean?—Yes, I see there was an increase there which I cannot explain at present.

15,159. I think we come to some questions of yours now, Sir Henry Waterfield, do we not (Q. 5100, at page 213). Mr. Jacob was asked for the details of the calculation you gave, that the cost of the addition made to the army in 1885-6 was Rx. 1,617,000. Can you explain this?—(*Sir Henry Waterfield.*) The calculation is that which is shown on page 3 of Sir Donald Macfarlane's return (No. 20, of 1894), namely:—

British - -	10,753 men at Rs. 891 =	Rx. 958,092
Native - -	19,220 „ „ 343 =	659,246
Total for 29,973 men - -		Rx. 1,617,338

The calculation of the cost of each unit was made by the Government of India in 1892, the exchange for the British pay of non-commissioned officers and soldiers being taken at 16½*d.* per rupee. Local corps were excluded. Provisions and ordnance charges were taken at the average cost. Furniture, hutting, pension, and transport charges were omitted. The cost, if thus divided under the several heads, is—

	European.	Native.
	Rs.	Rs.
Pay and allowances - - -	543	276
Commissariat - - -	97	21
Remount - - - -	73	26
Clothing - - -	40	5
Barracks - - - -	29	—
Medical - - -	73	1
Ordnance - - - -	36	14
	891	343

Applying these figures to the number of the additional troops, the increase in the grants is thus divided:—

	European.	Native.	Total.
	Rx.	Rx.	Rx.
Pay and allowances -	583,888	530,472	1,114,360
Commissariat - - -	104,304	40 362	144,666
Remount - - -	78,497	49,972	128,469
Clothing - - -	43,012	9,610	52,622
Barracks - - -	31,183	—	31,183
Medical - - - -	78,497	1,922	80,419
Ordnance -	38,711	26,908	65,619
Total - - -	958,092	659,246	1,617,338

The question was how that total ought to be divided among the several grants.

15,160. That was a calculation made at the time when exchange for British pay of non-commissioned officers and soldiers was taken at 1*s.* 4½*d.* per rupee?—Yes.

15,161. What would be the effect of the further fall, supposing that calculation were made again now?—I have not worked that out.

15,162. But the charge would be higher, I suppose, would it not?—Oh, yes.

15,163. What I mean is that, given that increase of force, we must not take the Rx. 1,617,000 as anything like a constant figure?—No; the unit has been taken for this purpose at 891 for British, and 343 for Indian troops, but it is, of course, increased in the case of the British by a fall in the exchange.

15,164. If a pious hope that the rupee might rise to 1*s.* 4*d.* were realised, we might go back to that as a constant figure?—Yes.

15,165. On question 5483, it was stated that the capitation rate is calculated on the actual numbers in India. Is that accurate?—The error is a trifling one. Not now; the old capitation rate was so reckoned, but now it is taken on the establishment of British officers, non-commissioned officers, and men in India, according to the War Office estimates.

15,166. That is an estimate for the year, is it?—An estimate for the year.

15,167. The numbers actually vary. Just when the reliefs are received, I suppose, the numbers are rather over the establishment, and some time before that they are below, are they not?—Yes.

15,168. Do you consider that the War Office estimate fairly represents an average?—Yes. We examine it to see that it does not differ materially from the Indian establishment. It may differ from our Indian figures very slightly, but not seriously. You will remember you have already had evidence, I think it was from Sir Henry Brackenbury, that the establishment was recently exceeded. It is, perhaps, a point of interest that the capitation charge was not enhanced in consequence; we only paid on the establishment.

15,169. Exactly?—The payments under the capitation rates were not increased.

15,170. But you are satisfied that the War Office estimate is a very fair one?—It is a very fair one. Of course, we examine it; we do not pay it without looking to see that the number given as the establishment is a proper one.

15,171. At page 232, Q. 5630, an inquiry was made as to the unusually low payment of 320,000*l.* for Effective Charges in 1875–6, can you explain this?—The advances made by the India Office on account of Effective Charges in the five years from 1870–1 to 1874–5, after the cessation of the old capitation rate, amounted to 2,170,000*l.* But when the actual claims of the War Office were received they aggregated only 2,129,740*l.*, and of this the India Office raised objection to 157,729*l.* Thus the advances exceeded the claims by 40,260*l.*, and they exceeded the amount so far admitted by 197,989*l.* Hence the advance for 1875–6 was reduced to 320,000*l.*, which was not an estimate of the sum due on account of that year, but a liberal estimate of the balance altogether due up to that time. As the claim afterwards sent in for 1875–6 was 442,385*l.*, the India Office had actually advanced, including that year, more by 75,604*l.* than had been admitted to be due.

15,172. Some questions were put respecting the amount which you reckon as the annual charge for exchange on the pay of the British soldier; do you wish to make any further remarks upon that?—In 1873, a Royal Warrant was issued, prescribing for the British soldier revised rates for daily pay and stoppages, and new rates of pay were thereupon issued in India, based generally on the rate of exchange of 1*s.* 10½*d.* to the rupee. In 1883 memorials were submitted on behalf of the soldiers in India that they were entitled to the equivalent of the English pay, which they were not receiving owing to the fall in the value of silver; and, this view being accepted, from the 1st January 1884 their pay has been issued at the rate of exchange fixed for the year. The additional charge, namely, the excess over a 1*s.* 10½*d.* rate, is not merely an alteration of an old convenient method of calculation (as suggested in Q. 5565), but is an increase of expenditure entailed on the Government of India by the fall in exchange.

15,172*a*. On page 228, Q. 5517, attention was drawn to the great increase in the pensions of Indian officers. What explanation would you give of this?—By section 56 of the Act for the better government of India, commonly called the Henley clause, all officers of the Indian army were guaranteed their pay, pensions, and privileges, as if they had remained in the service of the East India Company. And this was repeated when the local army was abolished by 23 & 24 Vict. c. 100. A Staff Corps was then formed in each presidency, mainly from the officers of the local army; no officers were placed on half pay, and a certain number of the older officers were invited to retire on largely increased pensions. Complaints having been made of grievances suffered by the Indian officers, Lord Cranworth's Commission was appointed in 1863, and, as the result, measures were taken which considerably accelerated promotion. But the grievances were not fully removed, and, owing to a motion carried in the House of Commons in 1865, another Royal Commission, under General Sir John Aitchison, was appointed. When passing his decision on their report, the Secretary of State in 1866 ordered the adoption of further measures, among which were the grant of colonels' allowances, after 10 years in the grade of lieutenant-colonel, to the regimental lieutenant-colonels of cavalry and infantry prior to 1862, and of the staff corps prior to its formation; the grant of additional pensions of 600*l.* after 35, and 750*l.* after 38 years' service; the admission to the staff corps of any local officers as from 1861; and the succession of all staff corps' officers to colonels' allowances after 12 years' service in the rank of lieutenant-colonel. These concessions, which were forced on the Government, or were deemed essential, in order to remove all grievances, and which were far beyond the expectations in the Company's service, have caused the great increase in Indian pensions.

15,173. Now these pensions, I suppose, are beginning to diminish very rapidly, are they not?—I can hardly say that, but I think we are just coming to the maximum. As far as I can calculate, I do not think we have yet quite turned the point.

15,174. And therefore it will be a very long time before their effect upon Indian finance comes to an end?—Yes; a great many of them did not come into force for some time. The officers would be now taking the larger pensions after 35 and 38 years' service, who had entered the army only about 1858 and 1860, so there may be still some who have not yet come on the list, although, of course, there are comparatively few now who have not yet received the maximum advantage.

15,175. But still a very large number of men who in the early days availed themselves of this colonel's allowance, must now be dying out, must they not?—Yes; many took the better pensions that were offered to induce them to retire, and increased the non-effective charge for a time; and, as they die out, there will be a considerable reduction.

15,176. You say 35 years?—Yes, 35 and 38 years; and therefore I think we must now be as nearly as possible at the maximum.

15,177. (*Sir Ralph Knox.*) The Henley clause was intended to secure to the officers their expectations under the old regime?—That was what was intended at the time.

15,178. But you say the result was that the officers obtained very much more than under the old regime?—Yes; for instance, officers of the East India Company could only succeed to colonel's allowances to the extent of the limited number of regiments. There were, say, 70 regiments in Bengal; there could, therefore, only be 70 colonels, and succession only arose as vacancies occurred. But the concession given under these orders was that every officer should succeed to a colonel's allowance if he stayed long enough, irrespective altogether of there being vacancies.

15 179. That was due to the recommendations of those Commissions, was it not?—It was due to the recommendations of those Commissions, the agitation in the House of Commons, and the decision of the Government to remove all grievances.

15,180. Whether they were well-founded or not?—If they were pronounced by the Royal Commissions to be substantial or even quasi-substantial; the Secretary of State undoubtedly went beyond the mere remedy of what the Commissions recommended as positive injuries.

15,181. (*Sir Donald Stewart.*) But the grant of colonel's allowance after 38 years' service in the Staff Corps is not due to the act or recommendation of any Royal Commission?—It was not due directly; but I think the correspondence shows that it was due to the decision of the Government in consequence of the two Commissions which pronounced on the effect of the Henley clause.

15,182. I do not think so. I think it is due to the act of the Secretary of State alone, and not to any grievance or demand put forward by the officers of the Staff Corps themselves?—Yes; but I think that the act of the Secretary of State was in consequence of his consideration of the report of Sir John Aitchison's Commission. The despatch of the 8th August 1886 will be found on page 120 of the Appendix to the Report of Sir William James' Committee, presented to Parliament in 1870. After mentioning the measures taken in consequence of the recommendations of Sir John Aitchison's Commission, it proceeded to make further most important concessions in respect of the colonel's allowances.

15,183. (*Chairman.*) Then it was what I may call a domestic arrangement between the Secretary of State and the Indian Government?—Yes. The object of my putting in this explanation is that it was not given at the time the question was put by your Commission, and it appeared rather as if there was no explanation which

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could be given of the great increase of the pensions of the Indian officers.

15,184. Was any calculation made as to the charge for colonels' allowances?—I find that in 1882 General Hannyngton estimated the maximum charge for colonels' allowances at 709,749*l.* for 631 officers, to be attained in 1897. The amount on July 1st 1896 was 647,885*l.* for 576 officers, which is less by 20 officers and 22,496*l.* than the estimate for that year.

15,185. But we have not yet on General Hannyngton's estimate reached the maximum?—No; we should have one year more to complete his maximum; but we have a margin of 22,000*l.* for it, so I do not think it will be exceeded.

The witness withdrew.

(Adjourned till Wednesday next, at 11 a.m.)

At the India Office, S.W.

THIRTY SIXTH DAY.

Wednesday, 24th February, 1897.

PRESENT:

THE LORD WELBY, G.C.B. (CHAIRMAN, PRESIDING).

Field-Marshal Sir DONALD STEWART, Bart., G.C.B., G.C.S.I.	Sir JAMES PEILE, K.C.S.I.
Sir E. W. HAMILTON, K.C.B.	Mr. G. L. RYDER, C.B.
Sir RALPH KNOX, K.C.B.	Mr. DADABHAI NAOROJI.
	Mr. R. G. C. MOWBRAY.

Mr. COLIN G. CAMPBELL, *Secretary.*

Sir Henry Waterfield, K.C.S.I., C.B.

24 Feb. 1897.

Sir HENRY WATERFIELD, K.C.S.I., C.B., recalled and further examined.

15,186. (*Chairman.*) I am very sorry to hear that Mr. Jacob is ill, but I propose to put the questions which I have before me, prepared by you and him, to you, and you will be able to answer so far as lies in your power?—I will do so.

15,187. If anything stands over we must take an opportunity at some future time of having a further conversation with Mr. Jacob, but I think in all probability we shall be able to dispose of the questions?—Yes.

15,188. At Q. 5640 Sir Ralph Knox asked whether the non-effective charge for the British troops in 1884–5 could be divided between officers and men. Are you able to give this?—The payment of 830,994*l.* in that year consisted of three items:—

	£
(1.) Payment for 1884–5 under the new system.	
Officers	21,072
Soldiers	15,217
	36,289
(2.) Arrears under the old system	763,711
(3.) Non-effective colonels of Royal Artillery	30,994
	830,994

15,189. May I ask you in passing how these non-effective colonels of Royal Artillery come to stand separate from officers of the Queen's regiments generally?—The reason is that up to the year 1881, I think it is, their pay was an effective charge, and, owing to a transfer of the accounts by the War Office, it was then made a non-effective charge, and recorded separately. It is a payment not made under the capitation rate, but the actual payment for the colonels' allowance.

15,190. I understood that these were the old honorary colonels; but, if so, why should this payment apply to the Royal Artillery colonels alone, because the same reason should apparently apply to the old honorary colonels of the line?—I think the colonels of the new line regiments are paid direct at the India Office.

15,191–2. (*Sir Ralph Knox.*) No, that is not so?—I find that the colonels originally appointed to the new line regiments received their pay at the India Office at Indian rates; but their successors came under the rules of the British service and have been paid by the War Office. Every effective officer of the old Indian Artillery is entitled in turn to succeed to colonel's allowance at the Indian rate, and so long as there are any such they will be paid at the India Office. These allowances do not come under the capitation rate of 7*l.* 10*s.*; but, so far as any of the officers would be entitled to pension under British rules, the amount thereof is divided between the two Governments, in proportion to his service on the respective establishments, under the general non-effective arrangement.

15,193. (*Chairman.*) Then perhaps you will go on?—It is not practicable to divide the arrears in this particular payment, but the following is the division of the total payments from 1870–1 to 1883–4 (of which these arrears formed a part):—

	£	£
Officers.		
Retired pay	1,447,245	
Unattached and half pay	839,128	
Rewards	16,695	
Wounds	16,764	
Widows and children	335,486	
		2,655,318
Soldiers.		
Pensions	6,158,251	
Rewards	10,982	
		6,169,233
Total		8,824,551

15,194. (*Sir Ralph Knox.*) What period does that cover?—From 1870–1 to 1883–4, the whole of the old capitation rate.

15,195. (*Chairman.*) Those were the capitalised sums paid?—During the period when we paid the capitalised sums.

15,196. And that, of course, was sterling?—That was sterling.

15,197. You had in addition to that to find the exchange?—Yes, when measured in tens of rupees it would be much more.

15,198. (*Sir Ralph Knox.*) But the exchange did not amount to much in those days, did it?—Not to so much as it is at present.

15,199. (*Chairman.*) You had probably not a very big sum to find in those days, because up to 1875–6 the rupee had hardly begun to fall, had it?—No, not very materially before that; but this statement comes down to 1883–4, and at that time the rupee had fallen to about 1*s.* 7½*d.*

15,200. As regards the extent to which the cost of pensions to soldiers has been reduced through the short-service system, do you wish to make any observations?—I have no reason to doubt the figures given by Sir Ralph Knox in Q. 5645, nor do I in the least deny that a very considerable reduction in pensions must arise from the short-service system. But I think that part of the decrease shown in the figures must be attributed to other causes. The payments by India under the system of capitalization of pensions to soldiers were as follows:—

Year.	Amount.	Year.	Amount.
	£		£
1870–1	210,427	1877–8	507,066
1871–2	203,605	1878–9	733,477
1872–3	232,108	1879–80	611,406
1873–4	298,707	1880–1	520,686
1874–5	329,641	1881–2	496,813
1875–6	466,784	1882–3	434,334
1876–7	651,705	1883–4	271,321

The benefit of the short-service system would not be much felt till 1891–2. The heavy payments from 1875–6 to 1879–80 must have been largely due to the abnormally numerous enlistments 21 years before for the Crimean and Indian Wars, and the charge had by 1883–4 fallen below that of 1873–4. The number of permanent pensions granted between 1876 and 1882 averaged 5,800 in a year; in the following seven years (before the short service affected the pension list) the average was only 2,672.

15,201. That 5,800 a year represents the number of pensions that were capitalised each year in those years by a payment made to the War Office?—Yes.

15,202. It would appear from those figures as if between 200,000*l.* and 300,000*l.* was the normal amount upon a normal force?—Quite so.

15,203. Because you see from the years 1870 to 1874 the figures rise from 210,000*l.* to 298,000*l.*, and in 1883–4 they fell again to 271,000*l.*?—I think so. If it were possible to eliminate those very numerous enlistments which took place during the Crimean and Indian Wars, I think it would be found that something between 200,000*l.* and 300,000*l.* was a normal charge.

15,204. (*Sir Ralph Knox.*) It is admitted, I believe—at all events I admitted it—that the charge which was represented as the maximum amount was due very largely to the fact of the heavy enlistments during the Crimea and Indian Mutiny?—Yes, I think you gave that in your evidence.

15,205. And it is not claimed by the War Office that that amount would at all represent the constant charge; but are you aware that immediately on the introduction of the short service, a considerable number of men were allowed at once to pass to the reserve, although they had enlisted under the long-service system. For instance, in the first year, upwards of 2,000 men converted, as it was called, their long service into a short service with the colours and a service in the reserve?—That would, no doubt, be one of the measures affecting the reduction.

15,206. Quite so, and also the fact that the men continued to pass into the reserves during the period intervening between 1870 and the date at which the men were due for the reserve?—To that extent, my remark that the benefit of the short-service system would not be much felt, is qualified.

15,207. Then, further, the Indian Mutiny and the Crimean War combined to raise the establishment of the army to not only very far in excess of the old normal and considerably in excess of the normal which was maintained afterwards, did it not?—Yes.

15,208. And immediately after the conclusion of those operations the establishments of the army, both in India and at home, were reduced?—Yes.

15,209. And the result of that reduction of establishments was that very few recruits, abnormally few recruits, were taken for the army for some five or six years, are you aware of that?—I believe that to be the case, but I am not sure that that would affect the pensions of those years.

15,210. Well, if it be the case that the enlistment of an abnormally large number of men during the Indian Mutiny created 21 years after that an abnormally large number of pensioners, surely it would follow that if you enlisted only 8,000 men the year after the Mutiny, and 10,000 men for a series of years, that would reduce very considerably the charge that was created at a period of, say, 21 years afterwards, regard being also had to the fact that practically the short-service system was introduced as soon as the Act was passed?—Yes, my argument is valid as regards the recruitments 21 years before 1883–4, but not for subsequent years; that is to say, short recruitments, accepting what Sir Ralph Knox says, in the years 1860 and 1861 would have affected it, but, when you come to later years, 1863 and 1864, that would not have affected the period that I am speaking of.

15,211. Would it not?—(*Chairman.*) No, because the effect of short recruitments in the later years would fall after 1883–4, would it not, that is your reason?—Yes; short recruitments in 1860 and 1861 would affect the charges after 1883–4, but not those for the dates that I was giving. Men recruited in 1863 would not have completed their long service and come on the pension list in ordinary course till 1884.

15,212. (*Sir Ralph Knox.*) No, they would not. The period for which you have given us figures is not subsequent to 1884?—No; my great reduction was from 1878–9 to 1883–4; I did not give figures for a later date than that.

15,213. But those years would have been affected by the years which I have referred to?—Yes; the first year or two, but you mentioned five or six years, and the later years would not have affected the period that I took.

15,214. But those first one or two years represent a very considerable drop?—Those years would undoubtedly affect it.

15,215. Therefore, the fact that 8,000 men were taken as recruits in 1860 or 1861 would account for a very considerable drop 21 years afterwards for the pension charge?—Yes; I think that very likely may explain to a considerable extent the great reduction from 434,000*l.* in 1882–3 to 272,000*l.* in 1883–4.

15,216. (*Chairman.*) You do not happen to know what the rise of the following years was, without giving any minute figures?—I am afraid I can give you no figures that would be useful, because it was exactly at that time that we changed the system of paying a capitalized sum.

15,217. In fact, you slipped down then to a very small sum?—Yes, a mere nothing the first year.

15,218. That is given in those tables?—Yes, you have them before you, I think.

15,219. Sir Ralph, was the army reduced after 1860–1 to about the level that it was before the Crimean War?

15,220. (*Sir Ralph Knox.*) No; not to what it was before the Crimean War, because of the enormous increase in the army in India. The army in India was doubled practically, and that has been maintained, fairly maintained, up to the present time; but the army at home was considerably reduced.

15,221. (*Chairman.*) In Q. 5552, on page 229, there was an inquiry respecting the charges for Special Expeditions. How far has it been the practice to show these separately?—This was first done in the Accounts for 1878–9, and the cost of the operations in Afghanistan was separately shown in each year to 1882–3. The same course was followed in regard to the expedition to Egypt in 1882–3 and 1883–4. A proposal was made to treat the movement of a force to Beluchistan in 1885 in a similar manner, but this was not adopted. The expenditure on Minor Expeditions is not distinguished in the Accounts; but approximate calculations can, in some cases, be made from the entries under Miscellaneous Expenditure in the Accounts and Estimates, and I may mention that it is in that way that we made up the figures which are given in Sir Donald Macfarlane's return. In making up the cost of the Chitral Expedition the Government of India found the system defective, because the stores issued in India had already been

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charged for, and would be replaced from England only in ordinary course. In future, therefore, it has been decided, when field operations are contemplated, to earmark the indents sent to England to replace those issued for the operations, an estimate being forwarded for the purpose, and to record the expenditure separately. In his answer to Q. 5544, Mr. Jacob mentioned that that subject was under consideration, and it has been decided to adopt that course.

15,221A. That would rather correspond with the course which, I think, Sir Ralph Knox pointed out would be followed in this country when he said, speaking of stores for an expedition, "we should value the stores as they "were issued; that is what we always do when they are "shipped abroad, and in that way we get a very fair "approximation."

(*Sir Ralph Knox.*) Yes, quite so.

15,222. (*Chairman.*) That would make your system approximate to the system here?—Yes, I think so.

15,223. Is the cost of the Special Defence Works included in your table with that of Special Operations?—No, the two are kept separate; but there seems to have been some confusion in the examination of these figures on page 229. They are taken from Table IV. on page 63 of Vol. II., in which the expenditure on Special Defence Works from 1886–7 to 1895–6 is shown in column 10. The outlay on Special Operations is in column 3, in which the figures correspond with those given in Sir Donald Macfarlane's return, except that, as they are here shown net, the cost is reduced by the receipts. You will not find the figures exactly correspond, because receipts are taken off, but they are approximately the same.

15,224. But did the Special Defence Works only begin in 1886–7?—Yes.

15,225. And from that time you have kept a separate column for them?—Yes.

15,226. Those Special Defence Works are coming to a close, are they not?—They are coming to a close. The charge for last year is very small, and, I think, in the estimate for the coming year it will be quite trifling; we hope so.

15,227. On page 390, questions were put respecting the system of purchase in the old Local Army. Will you describe that system?—The system in the Local Army consisted in the officers of a regiment contributing from time to time a sum of money as a bonus for a senior officer, in addition to the pension to which he would be entitled, for which sum they hoped to receive an equivalent, either in the shape of actual promotion, immediate or prospective, or by the receipt of a similar contribution in the event of their own retirement from the service. This practice was virtually terminated by the measures connected with the formation of the Staff Corps and the re-organisation of the Indian Army. Although Lord Cranworth's Commission did not consider this to be an infringement of the guarantee, the Secretary of State, being desirous of removing any general ground of complaint, directed that in each case an account should be prepared, showing on the one hand the amount so contributed, and on the other hand the money value of the advance in rank or position obtained, and of any bonus or special annuity given on the officer's retirement; and the difference was paid to him from Indian revenues on his resignation of the service, if he were then below the rank of regimental lieutenant-colonel, or of colonel commandant if in the Artillery or Engineers. In 1875 the deductions were for the most part withdrawn, and it was determined to repay the sums contributed. I think there was a suggestion in the former evidence that the British Government had contributed towards the abolition of that system, but the cost was entirely borne by Indian revenues.

15,228. (*Sir Ralph Knox.*) But when that system was wound up on the abolition of purchase, the annuities practically guaranteed under that arrangement were taken up by the Home Government, at the same time that they took over the bankrupt funds; was not that the case?—The calculation was made when the officer retired of the amount that was due to him for what he had paid, but the cost borne through this local system of purchase was entirely charged to India.

15,229 But since the abolition of purchase these officers have received those payments as they have retired, have they not?—Yes.

15,230. And they have been charged against the British Exchequer, have they not?—No, not the part of which I am speaking, for which they had subscribed under the old pension system; that is paid entirely by India.

15,231. Not as regards the Artillery and Engineers?—I believe that in the case of the officers of the Artillery and Engineers a calculation was made of the value of their step.

15,232. Quite so; but the funds that were in existence at the time of the abolition of purchase to which no further contributions could be made, those funds were practically bankrupt, were they not? Or at all events, there were very small balances in hand?—They came to an end through the want of further contributions.

15,233. So that any payments that have been made since then have been borne by the British Exchequer—have formed a charge against the Home Revenues—is not that the case?—I think that they have been entirely charged to Indian Revenues.

15,234. I think you are mistaken?—I thought that my answer was correct; but on referring to Act 37 & 38 Vict., cap. 61, I see that certain payments are borne by Imperial revenues.

(*Sir Ralph Knox.*) Payments that are now made by the Army Purchase Commissioners to the old officers who retired from the Indian Army, the Engineers and Artillery, those are borne by the British Vote in the Army Estimates.

(*Chairman.*) I think we might clear that up; perhaps, Sir Ralph, the best way would be to get a memorandum from Mr. O'Dowd?

(*Sir Ralph Knox.*) Yes, quite so.

15,235. (*Chairman.*) Perhaps, if you will kindly do that, it might be put in?—Certainly. For a time, I do not know for how long it was going on, but certainly for a time it was borne by India.

15,236. In Qs. 5850–1, on page 391, the average payment of 8*l.* per man before 1857 is taken as a fair comparison with the present capitation rate of 7*l.* 10*s.*; do you agree in that?—No. The 8*l.* rate included colonels' allowances and furlough pay, which came to about 2*l.* 5*s.* a head. It must, therefore, be considered as only 5*l.* 15*s.* for comparison with the present capitation rate, which does not include those charges.

15,237. When you were under examination, Sir Ralph Knox, was not that question rather more closely gone into?

(*Sir Ralph Knox.*) No, I do not think that this comparison was made.

(*Witness.*) I think those are the only questions, Nos. 5850–1, in which a comparison was attempted with the 8*l.* rate.

15,238. (*Chairman.*) I thought some of the witnesses did afterwards analyse more minutely than is done here the different changes which had taken place with the object of instituting such a comparison as that suggested here?—The reason that I put in this explanation was to try and bring out the point that I think the 8*l.* rate was rather assumed to compare fairly with the present 7*l.* 10*s.*; and it appeared to me that it ought to be taken at something under 6*l.* for such a comparison.

15,239. But you see the question is simply an *obiter dictum*. We took the actual sums before us and dividing them by the number of men brought out 8*l.*, and it was merely asked whether that result was a fair sum to compare with the 7*l.* 10*s.*?—Yes; and I only wish the Commission not to be misled by the comparison, through the changes which have taken place in the accounts since.

15,240. I think we were warned afterwards to be careful in drawing such a conclusion, as the changes had been so considerable that the different charges must be closely looked into before attempting to draw any conclusion based upon the payments?—Probably that would be the case.

15,241. (*Sir Ralph Knox.*) I should like to ask Sir Henry Waterfield here one question. You make a certain deduction on account of certain charges in order to effect a better comparison, and those deductions are furlough pay and the pay of the colonels, are they not?—Yes.

15,243. The amount of furlough pay you have taken from the statements in the report contained in the last return in 1862, have you not?—It is from the House of Lords paper 165 of 1862, page 30.

15,244. And you have added to that the colonels' pay; at what rate does the amount not agree with the calculation which I made. Can you say at what rate

you have calculated the colonels' pay?—I estimated that the pay and allowances for the colonels of four cavalry and 25 infantry regiments would amount to about 31,000*l.* or 32,000*l.* a year; it was a little over 1,000*l.* a year on the average.

15,245. But at that time the colonels were paid differently from the way in which they have been paid for some time past. They received their emoluments in two parts. One was 1*l.* 5*s.* a day as a general officer, about 456*l.* a year, and the remainder was regarded as colonels' pay, or his old off reckonings, which amounted to 500*l.* a year, in one or two cases 600*l.* a year; and that was the charge which was made against the Indian Government, included in the agency charge of that period. That being so, the rate at which you have calculated the colonels' pay is somewhat in excess of what the actual charge was; would not that be so?—I am not sure that I appreciate your point. The first part which you take would be the effective charge included in the effective capitation rate. It was not made non-effective till 1881.

15,246. The pay of a general was always non-effective; the 1*l.* 5*s.* a day which an officer received as a general was always non-effective pay?—I do not know how the War Office treated it, but we paid it under the 10*l.* capitation rate, not under the 3*l.* 10*s.* rate.

15,247. In the time of the 10*l.* capitation rate you paid 3*l.* 10*s.* a year for non-effective; but in the old days—the East India Company's time, in fact, which is covered by this—the payment for a colonel was 500*l.* a year?—Yes; but then there were the off-reckonings besides.

15,248. Those are the off-reckonings?—I beg your pardon, I thought you were referring to the other portion.

15,249. Those are the off-reckonings; his pay as a general officer he receives as non-effective pay?—Then you mean that it was covered by the 60,000*l.* a year which the East India Company paid.

15,250. Quite so?—If you tell me that, I accept it. I do not know how that was. Finding that it was covered by the 10*l.* effective rate from the time of General Tulloch's Committee, I thought it had been so before.

15,251. That considerably affects the calculation, and would bring up the East India Company's payment to about 6*l.* 10*s.*?—Yes; it would be about that, if that correction is made. There was, as you have stated, a payment of 1*l.* 15*s.* a day to general officers without regiments; but I believe that the colonels of regiments were paid at an annual rate, which was treated as an effective charge. If, however, you say that it was not so, I must accept it on your statement; I have not the means of checking it myself.

15,252. Quite so. Then, however, that 6*l.* 10*s.* does not compare with the 7*l.* 10*s.*, because the 7*l.* 10*s.* includes a good number of services which have arisen out of the system which has developed since, and for which nothing was included in the former charge, and mainly that for the education of officers?—Yes. I do not think that quite affects the question that I was endeavouring to answer, because the point that you are bringing out is that you only charge India with a higher rate on account of services for which you did not charge her before. I am quite ready to accept that as a statement, as I think it is correct.

15,253. But the educational charges were practically non-existent before. For instance, there was such an institution as Addiscombe in former days, was there not?—Yes.

15,254. Which was a charge which was borne by the East India Company?—Yes.

15,255. That was a fixed charge, was it not?—Yes.

15,256. That is not included in the 6*l.* 10*s.*?—No.

15,257. The equivalent charge to that is the charge for Sandhurst and the Royal Military Academy, is it not?—Yes; but do not misunderstand me. I am not disputing that there are reasons for bringing it up to 7*l.* 10*s.*, but, as a matter of comparison, there may be reasons for which the extra 1*l.* or 30*s.* is reasonably borne.

15,258. But, really, the rates are not comparable. As regards that point, if the Indian Government paid charges for Addiscombe, then, so far, it is fair to eliminate from the present charge the charges for Sandhurst and the Royal Military Academy?—Yes, if you can do so. I do not think you can make a comparison in that manner. I think the only way is this: the 5*l.* 15*s.* or 6*l.* 10*s.* formerly, compares with 7*l.* 10*s.* now paid; but you are giving extra services, for which you charge the difference.

15,259. Surely to the 6*l.* 10*s.* ought to be added the expense of Addiscombe and any training which was then given to officers?—You cannot distribute the cost of Addiscombe over the British force, all the 240,000 men mentioned in General Tulloch's report. I do not think it is possible to make a comparison in that manner.

15,260. Well, to drop that, since the period covered by the 6*l.* 10*s.*, which is now put forward as compared with the 7*l.* 10*s.*, the pay of the soldier of infantry has practically been increased something like 30 to 35 per cent., has it not?—Probably.

15,261. Further, in this price of 6*l.* 10*s.* there was no charge for the training of recruits for either the field artillery or the horse artillery, was there?—No.

15,262. And those are the most expensive part of the Army, are they not?—Yes.

15,263. The highest charges are raised now on account of them?—Yes.

15,264. So that the increase from 6*l.* 10*s.* to 7*l.* 10*s.*, considering those increases, does not seem disproportionate?—No, I think not at all; I did not wish to urge that.

15,265. Further, I do not know whether you have calculated in your 6*l.* 10*s.*, what the cost per man was of those that were shipped at that time—actually embarked?—No. I have divided it on the strength, as given by General Tulloch's Committee.

15,266. I have not been able to get absolutely accurate returns of the numbers embarked during that period, but I have been able to make a fairly satisfactory calculation of the number that must have gone out, because I have ascertained the casualties during that period, and I find that the casualties, which were replaced, represent something like 1,800 a year of men sent out. Dividing the total cost, reduced as you propose, by the colonels' pay, and so forth—the same sums, in fact, as are represented by the 6*l.* 10*s.*—I find that the charge per head for each man embarked was 87*l.* You would admit, for the purposes of comparison, that that is a fair way of making a comparison per cost of men sent out?—Yes, that is another mode of comparing it.

15,267. Quite so. I find that, without considering increase of pay, or artillery, or any points of that kind, the cost per head was 87*l.* Do you know what the cost per head per man shipped amounts to at the present time, taking the 7*l.* 10*s.*?—I think it is something like 45*l.*

15,268. Yes; 45*l.* Well, that does not compare badly with the bill of 87*l.* for the East India Company period, does it?—No.

15,269. That is to say, calculated, at all events, upon the number of men shipped, the cost at which the men are turned out, and on which they are charged against India, is considerably reduced, as compared with what the cost was in the former time?—Yes.

15,270. That is to say, in the former time it was 87*l.*, and now, including all the expense of field and horse artillery, it amounts to 45*l.*?—Yes; I am accepting your figure of 87*l.* I have not the means of checking that.

15,271. (*Chairman.*) I think, on the other side, the India Office rely on this point, do they not, that in the old time you sent out so much fewer recruits?—Yes; that would, of course, make a great difference.

(*Sir Ralph Knox.*) I am only taking the cost per man which is charged. Of course, what we say is that we admit that there is a very largely increased number of recruits, and an increased charge must be contemplated on that account; but as the result of the system there are more than equivalent reductions to balance that increase.

15,272. (*Chairman.*) But, Sir Henry Waterfield, would you not be justified in bringing forward the fact, that under the old system of long service much fewer recruits were sent out, and that, therefore, though there had been a decrease of expense throughout per man, yet there had been an increase of the total expense of furnishing reliefs?—Yes.

(*Sir Ralph Knox.*) I was endeavouring to meet the charge that our system was an extravagant system in raising and training the men as compared with the old

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system, and the figures I have given now show practically that notwithstanding that the force is enormously enhanced in cost to us, both as regards pay and the period for which the man is trained, we do it for pretty nearly about one half the money.

15,273. (*Chairman.*) I quite followed your object, and the only reason why I put that further question to Sir Henry was to bring you, so to speak, into line, and show that while you were able successfully to show that the cost per man was less now, at the same time that was entirely reconcilable with the ground which had been put forward by the India Office, that there had been a total increase of charge owing to so many more recruits being sent out now?—Yes, that is so.

15,274. Page 397, Qs. 6011–4. Can you explain why the Government of India's despatch of March 1890 was not laid before Lord Northbrook's Commission?—I think Lord Northbrook himself has explained it, but a full explanation is to be found at pages 27 to 31 of a return made to the House of Lords in 1893 (No. 137). The India Office required that the arguments of the Government of India should be laid before the Commission, if the claims for the years 1887–8 to 1889–90 were prepared by the War Office in a manner differing from those on which the Commission had already adjudicated for previous years. The Treasury thereupon sent the despatch to Lord Northbrook; but, subsequently, the War Office amended its claims so as to make them conform to the lines adopted in former years; and then the arbitration was effected without a discussion, either of the arguments of the Government of India or of the replies of the War Office.

15,275. Therefore it was not the case that the wishes of the Government of India were neglected and that the despatch was not laid before Lord Northbrook's Commission. But the circumstances were changed under which the Indian Government desired that that despatch should be taken into consideration?—Not exactly the circumstances under which the Indian Government desired that it should be taken into consideration; but there was a sort of compromise that if the War Office abandoned its claim, which referred specially to the cavalry and mounted artillery depôts, the India Office did not wish to press for a consideration of the arguments of the Government of India in the despatch of 1890; and then Lord Northbrook's Commission arbitrated on the old lines.

15,276. But, following your words, the India Office did require that the arguments of the Government of India should be laid before the Commission if the claims for the years 1887–8 to 1889–90 were prepared by the War Office in a manner differing from that in which the claims for previous years already adjudicated by the Commission had been prepared, but the War Office did not prepare their claim in a different manner, as I understand?—They abandoned an alteration which they had put forward.

15,277. And, therefore, the circumstances under which the Indian Government required that despatch to be laid before Lord Northbrook's Commission did not arise?—My point is that it was the India Office that withdrew the application that the despatch should be sent to Lord Northbrook's Commission. The Government of India would still have wished, I believe, that their claims should have been considered; but the Secretary of State did not press it, in consideration of the War Office not pressing its views on the other side.

15,278. Exactly—I am anxious to make it clear that there has undoubtedly from time to time been some difference of views between the Indian Government and the India Office; and many questions have been asked implying or suggesting that the Home Government has not complied in such a case as this with the wishes of India?—That is so.

15,279. I think it very necessary to make clear those cases in which the Home Government have complied with the request, as addressed to them by the India Office, because I think in fairness it must be looked upon that, if the Home Government complied with the request of the India Office, they have done really practically all that is necessary?—I think that the British Government cannot be expected to do more than the Secretary of State in Council puts before them. In some cases he has put the full views of the Government of India; in some cases he has thought that those views were not such as he would wish to press, and he has not pushed them to their extreme point.

15,280. Quite so; but, having regard to the comity of Departmental intercourse, we should all be agreed that if the Home Government complies with the wish of the Secretary of State everything has been done by the Home Government that could fairly be requested of them?—I think so; certainly the India Office would not complain.

15,281. Have you any remarks to make respecting the average age or length of service of the British soldiers in India under the present system?—I have nothing to add except to bring together the figures. Sir Edwin Collen's answer, 6042 (page 398), shows that it was on the average of the men returning home in a single trooping season that he gave (Q. 6093) the average service of men in India as $5\frac{1}{3}$ years. From such data the average would not be affected by the number of men of longer service remaining in India, as suggested in Q. 6100, for it must be assumed that those returning would include a fair proportion of the men of longer service. But Appendix 56 shows that the 7,307 men on whom Sir Edwin Collen's calculation was based did not include 3,432 men who returned with their corps, among whom most of the long-service men would probably be found. Figures quoted from Appendix 57 are given in Q. 6099 which give the average age of men in India as 24; this is equal to $5\frac{1}{2}$ years' service for men enlisted between 18 and 19, as stated in Q. 6111. At Q. 6273 Sir Ralph Knox gave ages which produce an average of $25\frac{3}{4}$, or $5\frac{3}{4}$ years for service in India after the age of 20. The figures do not exactly agree, and I have merely brought them together that, in case the Commission wish to prosecute the inquiry at all, they may see what figures have been put before them.

15,282. Would you rely, with reference to that answer, upon the argument that the average age of men in India is 24?—I find that the figures for it given in Q. 6099 give that average.

15,283. My difficulty in following that out is this: My recollection is that about one-third of the men in India were shown to be above the age of 25 or 26—the seven years?—There was a large number; I forget what the exact proportion is.

15,284. But just take it for my purpose. If my recollection is right they represent about one-third?—Yes.

15,285. If one-third of the men are over 25, it seemed to me rather difficult to arrive at the conclusion that the average must be higher than that. You see, when you take 24 as the average age of the men who are actually in India at the time, a considerable proportion were younger men and going to serve on. You do not get from that statement, do you, the average period of service at which men come home?—No.

15,286. I do not know if you follow what I mean?—I think so; but the table from which the age of 24 has been deduced on that assumption will include a good many long-service men.

15,287–8. Quite so. I see it does, but what I mean is this: If, we will say, there are a thousand men, of whom 700 go away at the end of seven years and 300 stay on for one year longer, then, apart from deaths and invaliding, which may have a very great effect on the result of the figures, you have 700 men who stopped seven years and 300 men who stopped eight years?—Yes.

15,289. The consequence of that must be that, apart from deaths and returns home, the average service in India must be somewhere between seven and eight years?—Yes, but I think you misunderstood what I said about the long-service men. I mean that there must still be remaining many men who enlisted before the short-service time, and that they will increase the average. In order to see the effect of the short service you must eliminate those. We have not got the means of doing that at present.

15,290. You have not got the means?—No.

15,291. These figures are influenced by that fact?—That is what I wished to bring out.

15,292. But in the end you would come to this, would you not, supposing there are a thousand men, I will say 800 return at the end of seven years, and 200 stay for the eight years. Then your average service, apart from deaths and invaliding, must be over the seven years, must it not?—Yes, the average.

15,293. At the time when they return?—At which they return, yes, but not the average age of those in the country.

15,294. That is the point where I rather demur to those figures, because I do not think the average age at the moment in India quite gives the facts. You will get an average service of something between seven and eight?—Yes.

15,295. But then, I suppose, that average service would be very much reduced by the number of deaths and invaliding home?—Undoubtedly.

15,296–7. Now, do you know whether the number of deaths and invalids sent home is of such amount as would materially alter those facts and lower the average of service?—I think all I can say is that the figures which were given, and which would, of course, allow for the men of quite short service who were in India, would bring out an average of about 24 years of age; and I tried to deduce from that what their probable service was. I think some figures give four years over 20, and some nearly six years over the age of recruitment, which was put at 18 and 19.

15,298. Supposing that out of the thousand men which I have taken, in the seven years 20 men die a year, which is not an uncommon average, of course the 20 men who died in the first, second, and third years would have very short service?—Yes.

15,299. And those deaths would very much reduce the average service of soldiers in India, would it not?—Yes.

15,300. If, then, you applied that correction, what would come out as the average service; do you think that would reduce it to as low as five years or four years?—I am quite unable to say. I do not think that the figures which we have give sufficient data for that.

15,301. (*Sir Ralph Knox.*) You said just now that you had some *remanets* of the old long-service system, men who were serving in that year, 1895—we had the 1895 returns, I think?—I daresay you are right.

15,302. I quoted the year 1895?—I think very likely it is.

15,303. But as the Short Service Act was introduced in 1870, there would be hardly any, I should say none, of the men who had enlisted under the long-service system remaining, would there?—Not of the old 21-year men; but I think there were men who had renewed. Had they not the power of renewing their engagement and going on?

15,304. Up to 21 years?—Yes.

15,305. With very small exceptions; they were discharged, then, at 21 years?—But what I mean is that men who have enlisted since 1870 have the power of renewing, have they not?

15,306. Oh, yes, everybody under the short-service system has the power of renewing?—Yes.

15,307. (*Chairman.*) Only for a limited period?—For a limited period.

(*Sir Ralph Knox.*) Yes; everybody can extend—anybody can extend who likes.

(*Chairman.*) I mean, would you allow men to stop on till 40 if they wished.

(*Sir Ralph Knox.*) Yes; and do. Everybody who wishes to renew may do so. He must have some good-conduct badges, and be a fairly respectable man.

(*Chairman.*) Have you many men of a long service of that kind?

15,308. (*Sir Ralph Knox.*) Yes?—That is what I referred to. I think you will find the fact mentioned in one of the answers I have quoted.

15,309. But that is part of the short-service system?—I think it is shown in Appendix 57 that there are a very large number of men over the age.

15,310. (*Chairman.*) But then, if that is the case, you have got the short-service system into full play, and you do not want to make any reduction on account of the men of longer service. It is part of the short-service system, and 10 years or 20 years hence, if the system remains unchanged, the same results will accrue?—Yes; I wanted to show you that the figures which Sir Edwin Collen has put in had been taken on a single year; you will find them in Appendix 55, page 386 of Volume II., where he there says that a certain number of men (something under 2,000, I think) who had from 10 years' service up to 21, were still in the army; and on those figures he has compiled his average service. Therefore, I wish to show you that the one return did not include the long-service men, and the other did.

15,311. But we must regard this return which you have just called our attention to, No. 55, as representing a normal state of things?—I think so.

15,312. There is no *remanet* from the old long-service system?—Not of the enlistment before the short-service system came into force; but of the renewals up to 21 years there is.

15,313. (*Sir Ralph Knox.*) There will always be that; that is part of the system?—Yes, there will always be that.

15,314. (*Chairman.*) My point rather was that the inference that five years is the average service, drawn from the age of the men on a certain day, does not give you a true view of what the average service of men in India is?—I think your point is that the average service when men retire is the true average.

15,315. Yes; that is the average service they give?—No; this is merely the whole service on a particular day.

(*Chairman.*) It has been put before us at various times that the ages of the men serving in India on a certain day—the 1st January 1895—are so much.

(*Sir Ralph Knox.*) Yes.

(*Chairman.*) And then from that it is argued that the average of the service in India is five years.

(*Sir Ralph Knox.*) Yes.

(*Chairman.*) But then I say that is not a true average, because the only way in which you can get the average service given by the Queen's troops in India is by taking it when they retire.

(*Sir Ralph Knox.*) For that you must have special returns.

(*Chairman.*) The figures are not here, but I want to know whether you agree with me that that is the only way in which you can get the actual service given by men in the Queen's regiments in India.

(*Sir Ralph Knox.*) I do not think that would give it you correctly.

(*Chairman.*) Why not?

(*Sir Ralph Knox.*) Because men do not go out at fixed ages; we do not enlist them at a fixed age. We enlist them at 19, 20, 21, 22, 23, 24, and so on.

(*Chairman.*) But still, the majority enlist between 18 and 19, for India, do they not?

(*Sir Ralph Knox.*) No; the men who are soonest ready for India are the men who enlist just at 19, as it were, because in a year's time they have completed their training, and they are 20 years of age.

(*Chairman.*) Therefore, you want to get men at 19?

(*Sir Ralph Knox.*) Yes; but, of course, we cannot make up the number of men who are required from those at 19, and we therefore take men who enlist at 18; but we also have men who enlist at 20; we also have men who enlist at 21, so you cannot ascertain the amount of service given by each man going to India, except by regimental returns stating it.

(*Chairman.*) But you observe that has not touched my point, that to get a true account of the service given in India you can only take it upon the service of the men when they retire; you cannot base it upon the actual ages of men on a given day.

15,316. (*Sir Ralph Knox.*) No; you cannot?—I think the returns prove the point that your Lordship was putting. The average service shown in Appendix 55 of the whole of the non-commissioned officers and men somewhat exceeded five years, and it follows that those who retire, who return home having completed their service, must exceed five years, and then the Appendix 56 shows that by the measure of a single trooping season the average service in India was 5 years, 4 months, and 19 days. The army service would be, of course, in excess of that, because part of it had been rendered in England.

15,317. (*Chairman.*) There is the training time, the 12 months?—Yes.

15,318. And if you add that on you would find it carries it up?—I think it brings out the figures which were put in before the Commission.

15,319. No, that will not make the thing complete. The average would be less than the service so calculated, because that will not take into consideration the deaths?—You will have to allow for that; if it were possible to do so, you would, no doubt, have to allow for it.

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(*Chairman.*) Quite so.

15,320. With reference to Qs. 6092-7 (page 399), should you say that the cost of transport has been increased through the 'short-service' system?—At Q. 6715 (p. 423) Sir Ralph Knox said that he would admit 50,000*l.* a year, as the excess in the cost of transport, owing to short service. So far as I can judge, this is a liberal estimate. I find the number of adults annually conveyed from 1871-2 to 1877-8 was 20,983. Adding one-sixth in consequence of the increase in the Army, this would be made up to 24,480. The average of the eight years from 1887-8 to 1894-5 is 27,802, showing an excess of 13½ per cent., which may be attributed to short service. The average cost of the troop service from 1871-2 to 1878-9 was 292,695*l.*, which an addition of 13½ per cent. would raise to 332,209*l.*; in recent years the net cost has averaged 256,059. Hence it may be taken that short service increased the cost by about 40,000*l.* a year, but that there is a reduction of 76,000*l.* from other causes.

15,321. (*Sir Ralph Knox.*) I generally agree with that. We made a little allowance for the new system which has been introduced, the hiring of ships; we thought that it might be a little more expensive, the rate per man, than the system which was previously in vogue?—I took the cost over an average of years, in order, as far as possible, to obtain it apart from the question of the cost of hiring transports.

15,322. (*Chairman.*) I see that in answer to Q. 6176, page 402, it is rather implied that the whole charge of the Perak Expedition was thrown upon Indian revenues; was that correct?—No; India bore the ordinary, but the Colonial Government bore the extra expense.

15,323. That is an important consideration, because, I think, on various occasions when we have been considering the cost of the expeditions, Perak has been mentioned as if the whole cost was thrown upon India?—I think it is from the fact that there was no vote in the House of Commons for it, and therefore it was supposed that India had borne the whole cost.

15,324. How would you summarise the views of the Government of India on the question discussed at Q. 6117-94 (page 400), of the division of cost when troops on the Indian Establishment are employed in expeditions out of India?—They are expressed in the papers laid before Parliament respecting the Suakin Expedition (C. 8131). The Government of India object to any part of the expenses of troops employed out of India for purely Imperial services being charged to India, on the ground of want of reciprocity, since India is charged with the whole cost of troops needed for an emergency in India, from the day that they quit England, as well as with the cost of training them for service; because special or temporary service does not, in its nature, differ from ordinary service abroad, when soldiers recruited in India are lent to England, the latter then bearing the whole charge; because, by Act of Parliament, Indian revenues cannot, without its special sanction, be applied to the payment of troops out of India; because India, while denuded of troops needed for the establishment, in running risks; because politically it is inexpedient to encourage the belief that wars can be waged in other countries at India's expense; and because countries with representative institutions are not so treated. India is willing, when she can, to lend the troops for which she has undergone the expense of training, and for whom, as in the native army, she will have to bear the cost of ordinary pensions; but she objects to going further, unless, as in the case of danger to the Suez Canal, her own interests are threatened.

15,325. On this point I should be very glad, Sir Henry, to come to an understanding on facts with you, which, I think, ought not to be difficult to establish. You say there is want of reciprocity; but I think the only case which has come before us in which England has lent troops to India is that of the Mutiny. You were not present when Lord Northbrook was examined?—No, I was not.

15,326. We went into the question, and he, I think, dwelt upon the want of reciprocity. The understanding on which the demand is now made by England, is, I think, that either country should lend troops to the other, bearing the ordinary cost of pay, and so forth, if the troops so lent are not replaced?—That is the understanding on which troops have been lent in past years; but I am not quite sure that the Government of India have yet agreed to that as a general principle.

15,327. I only want to take the facts?—That has been so when Parliament has voted it.

15,328. I am now arguing on the question of reciprocity?—Yes.

15,329. In the case of the Indian Mutiny, I think, it has been shown that fresh battalions were raised to a very large extent?—Yes.

15,330. And, further, that militia was embodied?—Yes.

15,331. And that, of course, resembles very much raising fresh battalions. Would you agree that the understanding would not be transgressed if India was asked to bear the ordinary pay of those troops which were lent, so far as they were replaced, as in the case of these expeditions in the Red Sea, and so forth?—As regards the ordinary pay, it may be a mutual understanding; and in that case the interests of the other country would be safeguarded if the pay of the troops raised to replace the troops lent were allowed for by the country borrowing; but that does not seem to me to cover the whole question; because there are the training expenses.

15,332. Before you pass on to that, per contra, I want to make an allowance which, I think, Lord Northbrook established, and which we were disposed to admit, namely, that where troops are so lent, even though they are replaced, the replacement does not take place simultaneously with the loan?—Quite so.

15,333. And to whatever extent that was the case in the instance which I put before you, there would not be reciprocity?—Yes.

15,334. Therefore we shall put that aside; we should be in agreement upon that?—Yes.

15,335. But during the time that fresh troops were actually raised to replace those which were being lent, it would not be a breach of the reciprocity if India was asked to pay for the ordinary charges of those troops that were so replaced, and for the period during which they were replaced?—So far as regards the pay, I think it would not be.

15,336. This argument has been put forward very often without that qualification, and I think it has been assumed by India, until we came to talk the matter out, that there has been a real breach of reciprocity; but India lost sight of the very large number of men raised to replace those lent to India during the Mutiny. Having arrived at that, I am ready to go on with your further reason against the view that there has been reciprocity?—I do not think that India has complained that there is no reciprocity if the occasion arises; the point of the Government of India is that the occasions always arise on the one side, and that for the last forty years there has not been an opportunity for reciprocity, I believe.

15,337. We understand that, in fact, it is an arrangement between the two partners beforehand, which in practice is found always to affect one of them only?—Just so.

15,338. That is your point?—That is one point. Another point that I wanted to put before you is this: the one great case of England affording assistance to India was in the time of the Mutiny. At that time regiments were raised undoubtedly in place of regiments that had been taken. Sir Ralph Knox will correct me if I am wrong, but I believe that the East India Company paid the training and depôt charges for all such troops as were raised; so far as it was necessary to replace those that had been borrowed, they were not charged with the departmental expenses which had been incurred, but the actual pay of the men at the depôts and their cost while they were being trained to be sent out to India were, I think, all charged to the East India Company.

15,339. That is to say, you mean that every charge connected with those 40 battalions that were sent out to India was brought against India?—I think so.

15,340. Your words might have implied that India was called upon to pay some of the charges of the new battalions that were raised?—No; that was a mistake of mine, if I put it in that way. I meant that, of the troops that were actually sent to India, India bore the pay from the date of embarkation, and also the training expenses, in so far as they could be directly attributed to the troops that were sent. India was not charged with the departmental expenses, but of the actual training and depôt charges I believe, that the East India Company paid the whole of.

(*Sir Ralph Knox.*) That is so. Under the old arrangement to which we have been alluding, the 8*l.* arrangement, whenever a regiment proceeded to India the depôt charge at once became chargeable to India. That depôt was maintained for keeping on foot and reinforcing the regiments that were in India, and when the regiment went to India or any special regiment was formed with a view to going to India, the depôt from that time became chargeable to India. Of course the charges were heavy during the Indian Mutiny time, which lasted for the three years from 1857 to 1860, because from that time the 10*l.* capitation rate came into force.

15,341. (*Chairman.*) Well, now, Sir Henry, will you tell us how that affects the question. I take it that what is in your mind is this, that in consequence of those charges the demand upon India was heavier than would be the demand upon England, in a reciprocal case?—My point is that, while India was charged with the training expenses of the troops that she borrowed, England pays nothing for the training expenses of the men that she borrows from India.

15,342. That is to say, of the native regiments?—Or for the British regiments; India has paid for them and lends them without any reciprocal treatment.

15,343. In order to put the two cases exactly parallel, you mean, England, when she borrows troops, ought to pay a portion of the training expenses of the native troops, and repay a portion of the expenses of training the English troops which India has paid?—I think it would be necessary in order to establish complete reciprocity.

15,344. (*Sir Ralph Knox.*) Under what circumstances have European regiments been withdrawn from India, across the waters from India as it were, and India continued to pay? Do you remember?—Do you wish me to give the list of the expeditions?

15,345. Yes; those in which India continued to pay the European troops?—At page 364, Volume II., in paragraph 19, there is a list of various expeditions in which European troops were borrowed for the purposes of the British Government from India, and for a time India lost their services. There was no payment by the British Government in consideration of the training given to those troops.

15,346. No; but the English Government paid the regiments, for instance, that went to New Zealand in 1860 or 1861?—Yes, in that case the regiments were struck off the Indian establishment.

(*Sir Ralph Knox.*) Yes.

15,347. (*Chairman.*) And England bore all the charge?—England or the Colony (I do not know how it was divided) must have taken the whole charge in that case.

15,348. (*Sir Ralph Knox.*) But in all the other cases?—I think in a few cases the regiments did not go back to India, and in those cases they would have been struck off from the time that they left for the expedition.

15,438A. I think it would be well, do you not think so, Lord Welby, to have it discriminated, because it would appear as if India had continued to pay for the whole of the expeditionary force.

15,349. (*Chairman.*) I think so. Sir Henry, do you think you could discriminate it?—I am not sure that I understand the point. During these expeditions, in some cases—it is mentioned in paragraph 21—India continued to bear the ordinary expenses; in some cases England took the whole of the expenses. But whenever the regiment returned to the Indian establishment I think I am correct in saying that for the time of the expedition India lost the services of the British regiment and received no compensation for the expense of training.

15,350-1. But this paragraph appears to point to the fact—I may be mistaken—that India continued to pay the whole of the pay of those forces that were employed beyond the shores of India?—No, I think you will see, from paragraph 20, that that paragraph is written, not with reference to the question of pay, but on the question of how far India uses England as a reserve to supply her needs upon occasion of special emergencies.

15,352-3. (*Chairman.*) It would be very useful, if we saw to what extent India was called upon to contribute in lending those troops, and I think it would be perfectly fair that, in stating that, you should bring forward your point that no allowance was made for the training of those troops?—Yes, I will put in a note to explain it. If I understand the point, the Commission wishes to know to what extent the regiments mentioned in paragraph 19 returned to India or were struck off the Indian establishment.

15,354. And, also, if we could know in which of those cases India continued to make payment; for instance, in the New Zealand case I presume you say that India did not pay ordinary pay from the time the regiment left the Indian shore?—No, I think that regiment was struck off the establishment at once. After the Abyssinian expedition, if I remember aright, some regiments came home, I do not think they all went back to India. But I am not sure that it would be a very useful statement, because if a particular regiment came from Abyssinia to England, another regiment must have gone from England to India in its place; the Indian establishment was not reduced.

15,355. But the Indian establishment was probably only made up at the close of the expedition, would that not be so?—That may be or may not, I do not know. I will do the best I can, but I rather doubt whether the paper will give you the full explanation you want.

(*Sir Ralph Knox.*) I think it is necessary that we should be clear on this point, because the point is that when the troops, as the other day, were moved from India to Suakin, India continued to pay that force, and remonstrated against being compelled to do so. While, as regards these other expeditions, it might be thought that they were all treated in the same way and that India had continued to pay those forces after they were despatched from India; otherwise they are not apposite.

(*Chairman.*) That is the point I understand you to raise, and which, inasmuch as we have used this paragraph very much in evidence and turned to it as an authority, should be brought out, namely in what cases India paid and in what cases she did not.

(*Sir Ralph Knox.*) To show, of course, if India paid at all for the European troops.

(*Chairman.*) I understood that India paid the whole.

15,356. (*Sir James Peile.*) Is there not a statement anywhere else of the expeditions, showing who paid, and what proportion in each case?—I think it is in those paragraphs 19 and 21.

15,357. I thought there was a statement somewhere else?—Oh yes, it is also stated in the enclosure to the despatch of 1890 (p. 269), but it is only the same information again. The point which you wish to elucidate is, I think, whether the establishment was reduced; but, as I say—take that case of the regiment which was sent to New Zealand—if another regiment was sent out in place of it, it does not at all help India. The Government of India in an emergency met the want of the British Government by despatching with great promptitude the regiment to New Zealand. If another regiment is sent out in place of it, the fact that the first regiment was struck off the Indian establishment does not relieve the revenues of India at all.

15,358. (*Chairman.*) No; because in that case the establishment in India is kept up at its normal?—Yes.

15,359. It is a mere question of departmental convenience. Inasmuch as the regiment in India was comparatively close at hand, it was sent to New Zealand at once, whereas the relieving regiment went out to India more leisurely to take its place?—Yes.

15,360. Therefore the Indian establishment was kept up, and, beyond the fact that the Indian Government did the courtesy of sending the regiment quickly away, it is not affected?—No; and therefore I may say at once that I think that in no case in the expeditions mentioned in paragraph 19 was any reduction of the Indian establishment made.

15,361. Oh no; I have not understood that any reduction took place?—I think that rather meets Sir Ralph Knox's point.

15,362 (*Sir Ralph Knox.*) If it was practically a relief, if the regiment that was taken away and sent to New Zealand was replaced in India, there would here been no charges; I mean that India would not have been charged with the expense of raising and training that regiment we sent out, and India would not pay for the regiment that came home in any respect. It would be simply a relief; there might have been an interim during which India would have saved money?—Yes.

15,363. (*Chairman.*) That is only Lord Northbrook's argument; when we quoted to him the raising of troops

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here to replace the regiments sent out to India during the Mutiny, he said, "Oh yes; but they were not "replaced on the day that the regiments sailed from "here"?—Yes.

15,364. He thought that probably three or four months passed by, and we admitted the argument as far as it went?—Yes, I may find that this is a similar case.

15,365. Of course, there is one point in your recent answer which has been very fully discussed, and I do not know whether you will care to go into it very much; but it is one as to which we might come to a certain amount of agreement. You say the Government of India object to any part of the expenses of troops employed out of India for purely Imperial services being charged to India. May we agree so far that that raises the very point for which Lord Northbrook was anxious to find a solution, namely, whether the service has been a purely Imperial service, or one in which India was interested?—Yes.

15,366. Very often the Indian Government took the former view; but that is exactly the point in dispute?—Yes; I think the argument of the Government of India is well illustrated by Perak. There India bore the ordinary expenses, but the Government of India maintain that they were in no way whatever interested in the expedition.

15,367. Of course we know that there is any amount of difference of opinion regarding these different expeditions, and various people who would hold that on one or two of them India might fairly contribute, would think that upon others India had been unfairly charged?—Yes.

15,368. It is not entirely a separation between English and Indian opinion?—No; there is a great difference of opinion in England upon the point.

15,369. And that is the point to which so much of Lord Northbrook's evidence was directed, namely, to endeavour to find the solution for this difference of opinion which has so constantly arisen between the two Governments?—Yes.

15,370. Under the system of India's paying for the depôts, what charges were imposed on her at the time of the Mutiny?—That is the point to which I was referring just now.

15,371. It is really an amplification of what you have just now been telling us?—Yes. The East India Company were charged with payments—

(1) for depôts and recruiting districts, pay of men, levy money, &c., proportion of staff, barrack accommodation, and forage.
(2) for regimental agents' expenditure, pay of officers, and agency, and pay of non-commissioned officers and men of regiments during voyage out and home.
(3) clothing.
(4) difference in number of men embarked for, and disembarked from, India with regiments, to compensate the British Government for the cost of replacing soldiers who volunteered to remain in India, &c.

When the great increase in the strength of the infantry depôts was occasioned by the demands for India during the Mutiny the East India Company was charged with the additional expense of the men, but not with the increase caused in the departmental expenses.

15,372. (*Sir Ralph Knox.*) With regard to the charges for the regiments that went to India during the Indian Mutiny, there was no direct charge made against India for the 40 regiments that were sent there? On the sending of these regiments there was no bill sent into India on account of the 40 ready-made regiments having been sent off to India?—I believe that a fixed rate was paid for the men who were sent out under the head of "Difference of passage"; but the charge for the depôts came in afterwards.

15,373. Quite so; but immediately on their despatch the depôts that were started to maintain and keep them going became a charge against India?—Quite so.

15,374. (*Chairman.*) Therefore you cannot say that in the case of the 40 battalions that were actually sent out any charge was made upon India for their training?—No special charge.

15,375. The training of the men to replace and recruit them was charged to India, but not that of the men who were actually sent out, is not that so?—It was a different system. In the answer that I have just given I stated that we paid for the depôts and the recruiting districts, and the regimental agents' expenditure, but we did not pay, as on the present system, for the training of the men sent to India with those 40 regiments.

15,376. What I meant to say was this; whatever the 40 regiments represented, 30,000 men or whatever it was, those actual 30,000 men were sent out to you, and no charge was actually made to you for the training of them; but, from the moment they started, the training of all the men put into training to fill up the gaps was charged for?—Yes, that, I believe, was the system at that time.

15,377. At Questions 6402–5 (p. 411), it is pointed out that, when soldiers go out after a long training, England has had to bear much more than the payment for six months. Do you wish to make any remark on that statement?—I think that it should be borne in mind that the recruitment is not especially for India, but for the army generally; and that, if it happens that the British Government has had to train the soldier an unusually long time, India, in return for her regular payment, will obtain only four or five, instead of six or seven, years' service from the man, and then will have to bring him home, and pay for another.

15,378. (*Sir Ralph Knox.*) But, in that case, India does not pay the full charge for the men at the calculated rate?—You mean that there is a rebate?

15,379. Well, there is a reduction in the charge made for the man, if he has only shorter service to give?—We pay for the full six months' or nine months' training for the man who is going out.

15,380. Not if the man has only a comparatively short service to give?—No, I do not mean when he has only to serve for a comparatively short period. If he had been enlisted for several years, we should not pay the full amount; but the point that was raised in these questions was, that the training went on for more than six or nine months, and, therefore, India was getting a very cheap man who had been trained for twelve or eighteen months; but I think, if he has the requisite service for India still to give, we would pay the full amount. I do not think there is any reduction in that case, is there?

15,381. That is the point in which Lord Northbrook took so much interest, and which I complained of, that, although the man was a very much better man, he always docked off something from the charge, if the man had not his full six or seven years' service to give?—Then my point is not so strong as I thought it was; but still, we should have the cost of bringing him home after a comparatively short time, and sending out another man.

(*Sir Ralph Knox.*) Yes, quite so; there would be that.

15,382. (*Chairman.*) That really is what it comes to, that you would have to replace the man sooner?—Yes.

15,383. As to the establishment in India, do you question the figures laid before us at Q. 12,608?—Yes; it is a mere question of numbers. It was said that there are now 73,000 men in India. That must be understood to include officers; the establishment in 1894–5 was: Officers of artillery, cavalry, and infantry, 2,266; non-commissioned officers and men, 70,563; total, 72,829. In Qs. 13,140 and 13,175 it seems to be assumed that the number of men to be recruited is from 72,000 to 74,000. It is rather an exaggeration.

15,384. The number on the establishment is 72,900?—That is the total establishment, whereas the number of men is very slightly over 70,000.

15,385. Next, we come to the question of rebate, upon the fringe of which we have just been touching, Qs. 12,678—81, page 494. Have you any observations to offer upon Sir Ralph Knox's evidence?—I merely wish to say that, as it appears to me, if India pays the gross charge for the man, and receives a rebate when she returns him as effective, that is, when she has not had from him the full value for which she paid, she really does pay the full value of the services which she receives. I thought Sir Ralph Knox rather seemed to imply that we did not pay the full value, if we got the rebate.

15,386. (*Sir Ralph Knox.*) The point really which I wished to bring out was, that the earlier months of a man's service were practically the period of training; that India, with a view to letting her off as cheaply as possible, was charged with only six months' training; that, if the soldier recruited was a young soldier, the Home Government, the British Government, went on

training him as a youngster till, say, the end of the year—he could not be shipped to India until he was 20 years of age, but during the first year of his service the charge for him would have been divided practically between India and the Home Government—but that, inasmuch as the Home Government had paid for half of his training on that assumption, it was hard to charge the Home Government over again with a portion of the charge which India had paid, because the man returned to give four years' service in the reserve. Practically the period of training had been already divided between the two, and the Home Government should not be surcharged on his return because the man came home to give his service in the reserve?—I think, perhaps, my answer was directed more to page 513. Qs. 13,054–7; but I merely wish to point out that I think there is a reply to the statement that India is being liberally dealt with by the rebate. I think she is paying the full value, nevertheless, of the services which she has received.

(*Chairman.*) Sir Ralph, taking Sir Henry Waterfield's argument there, I will just repeat his answer:—"If "India pays the gross charge for the man and receives "a rebate when she returns him effective; that is, when "she has not had from him the full value for which she "paid, she really does pay the full value of the services "of the man which she receives." That is true, is it not?

(*Sir Ralph Knox.*) Well, calculated upon this basis of six months as the training—if you assumed that that is all the training which a soldier gets at 18 years of age, the argument would be a sound one; but what I hold is that with a young soldier like that, the period of a man's training cannot be taken at less than a twelvemonth.

15,387. (*Chairman.*) And on that extra six months you do not get any payment?

(*Sir Ralph Knox.*) No, we do not; we keep him for two years in fact, and some might hold that during these two years he was not fit, as being undertrained. After that we admit he is a soldier, fit for service in this country. India we charge with only six months of that training. The Home Government pays the remaining six months, and from that point of view the Home Government ought not to pay any rebate when the man comes back. I am only arguing this in the abstract. We are quite willing to agree to the other arrangement; but in agreeing to that other arrangement we say that we treat India in the most liberal manner possible, on the assumption that she is to pay anything like the cost of raising and training the men in her army.

(*Chairman.*) May I put your argument in this way. We have heard from the military authorities considerable stress, I think, laid upon the value of a fully-trained soldier; we have had comments made upon the inefficiency of soldiers of very short training. Lord Wolseley gave us some evidence on that point, of his having seen how the young recruits in old times, as he expressed it, "died off like flies" in their training; and your argument is that, if the man has a full training here, and India is only charged for the short training, she receives a much more valuable article, and is not asked to pay a considerable part of the expense which has been laid out in making him so valuable. I should like to ask Sir Donald Stewart whether he agrees with that view?

(*Sir Donald Stewart.*) That is true; but is it not the case that a great number of men go out who have not got the six months' training?

(*Sir Ralph Knox.*) Well, it has from time to time happened that men have gone with less. Once especially, on the occasion when India made an addition to her establishment. Of course, it is a very difficult thing under those circumstances to provide the additional men; but India has wanted the men, and men have gone out with less than the required amount of training, especially if we have been able to cull them from those men who have been enlisted at a more mature age; under those circumstances, India being very anxious to have the additional number of men, in those cases men have been sent off with five and six months' training instead of nine.

(*Sir Donald Stewart.*) And even with less than that, I think, in some cases.

(*Sir Ralph Knox.*) Well, I do not think so, but there were cases, I know, to which attention was drawn by Sir Thomas Seccombe in the examination of these matters. What was found in those cases was that those men who had been sent out with apparently a very short training with the Army had received training with the Militia, which training is practically the same as the Army training. A man joins the Militia, and, after he has done his Militia training of three months, he can elect to pass on to the Army if he likes. He then passes into the ranks of the Army, and, of course, three months on the top of his Militia training would practically make six months; but in all the returns that were made up the period of service was limited to that which was given actually in the ranks of the Army.

(*Chairman.*) Then, you would meet Sir Donald Stewart's criticism by saying that practically the man, either in the Militia or Army, had had six months service; though you would admit that men are not infrequently sent out with less than six months' service, you say that it would be found on examination that they had six months or more.

(*Sir Ralph Knox.*) Quite so.

(*Sir Donald Stewart.*) Of course, I can only speak of facts; complaints used to be made that men were sent out to India knowing nothing or hardly anything.

(*Sir Ralph Knox.*) The cavalry principally have been complained of.

(*Sir Donald Stewart.*) Yes.

(*Sir Ralph Knox.*) That was because they did not know much of the cavalry work, and there is no doubt that the old cavalry depôt system of training, and the very short period that was allowed for training, did send the men out incompletely instructed; but in a great number of those cases the men had had a year's service, but were even in that very incompletely trained.

(*Sir Donald Stewart.*) Just so. Then was any reduction made in the capitation charges on account of those men?

15,388. (*Sir Ralph Knox.*) During the whole time that Lord Northbrook's Commission sat, a reduction was made in the case of all of them?—I have a return here which would answer Sir Donald Stewart's question as to the numbers incompletely trained in the particular years. It is one prepared at the Horse Guards in 1891, and it shows all the men who went out in the first quarter of their service, that is, not having completed three months in the infantry; in 1886, there were 212; in 1887, there were 548; in 1888, there were 854; and in 1889 there were 300; and there are similar returns for the next quarter.

15,389. (*Sir Donald Stewart.*) So that it was a common thing at one time?—Yes, but it passed away owing to the complaints that were made, and in 1890 I find no such short service.

15,390. (*Chairman.*) India is said, at Q. 12,768, p. 500, to have borne the pay of the whole of the troops borrowed during the Mutiny, from the date of their arrival in India. Do you wish to qualify that?—There is a slight inaccuracy in the words "from the date of arrival in India." The statement is correct as regards the troops on their way to China, which were intercepted; but, in reference to the bulk of the regiments sent from England, their pay was charged to India from the date of embarkation here.

15,391. Can you say when the existing tables for the calculation of the non-effective charges were introduced?—Up to 1884–5 the capitalization was effected on the old London life tables. The new tables were in existence before the change, but they were first applied in 1884–5 when capitalization ceased. They were afterwards revised and brought into their present shape, and applied in 1887–8, being then divided into tables for long and short service, the latter including men under long service, who were invalided after a short period.

15,392. The object of your explanation there is to make more exact the answers to certain questions which were put about the tables that were used?—It was merely to answer a question (No. 12,921), to which no answer was given.

15,393. On the Chelsea and Kilmainham Hospitals questions (Qs. 13,030–48, p. 512) do you desire to add any remarks?—The claim of the War Office is given in Volume II., page 384, the reply of the India Office at page 385, and then there is a Treasury note by Mr. Ryder, at page 378, in which the penultimate paragraph, in speaking of a certain sum of 600,000*l.* of unclaimed prize money, says: "No part, however, of the above 600,000*l.* belonged to India." I think there is a little misunderstanding there. I wish to say that the

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India Office does not claim that the 600,000*l.* "belonged to India." The argument is that it did not belong to the Treasury; that is to say, that, had it been devoted to Chelsea Hospital instead of to the British revenues, the Hospital would be self-supporting; and therefore, that there is no ground for now claiming a share of the expense of the hospital, as a set-off to India's claim for prize money accrued since 1861. It is rather a question of the language that is used.

15,394. (*Sir Ralph Knox.*) But the object of the Chelsea Hospital, or the Chelsea Hospital revenues, as originally established was, or ultimately developed into, a system of paying out-pensions as well as in-pensions, did it not?—Yes.

15,395. And in fact, when the old establishment was full and no more of the old men could be taken in, the out-pension system commenced by their practically paying a man something while he was waiting for a berth inside; was not that the arrangement?—I daresay it was so; I did not know that that was the way in which it had arisen.

15,396. And those allowances were paid out of the Chelsea revenues?—Yes.

15,397. But subsequently the out-pension system considerably developed and very heavy charges came into existence for providing for these pensions?—Yes.

15,398. And the provision for those pensions was borne upon the Home estimates?—Yes.

15,399. When these sums of prize-money were taken in aid of the Army estimates, they practically went to cover, in a broad sense, the Chelsea Hospital expenditure, including in that definition the out-pension charge as well as the in-pension charge?—That is so; it was borne on the British estimates.

15,400. It was borne on the British estimates, and it was taken, in relief of the British estimates, to meet the charge which arose out of the Chelsea Hospital system?—It was taken in relief of the British estimates, and partly no doubt it was for that charge, but it was taken as if it belonged to the British Government entirely.

15,401. But as a set-off against their heavy expenditure for out-pensions?—Yes.

15,402. (*Chairman.*) That you maintain, Sir Ralph, is a set-off against the argument of Sir Henry Waterfield that the money does not belong to the English Government?—(*Sir Ralph Knox.*) Quite so.

15,402*a*. (*Chairman.*) At Q. 13,060 (p. 513) it is said that the instances of men going to India with unduly short training were few, and have now practically ceased? That I think we have discussed.

15,403. In the questions put to Lord Wolseley (Q. 13,153, page 518, and Qs. 13,346-66, page 527) an endeavour was made to ascertain the saving in the Home military expenses if "India did not belong to us." What do you say on this point?—I do not attach much importance to the question at all, but it seemed to me that, if the expense of recruiting for the British Army in India is 1,100,000*l.*, and it is desired to estimate what England would save by not incurring that charge, the answer must be that the saving would be shared between the two countries. One half of this charge, or 550,000*l.*, is equal to a capitation rate of 7*l.* 10*s.* on 73,333 men; so that the calculation, for what it is worth, seems to justify the existing arrangement. I think it was Mr. Naoroji's question, if I remember rightly, of what saving would arise if there was no British Army in India—if India did not belong to us. Undoubtedly, I suppose, the British Government would not have to recruit for so large an army, and therefore there would be a saving on its part. India would not have to pay for the Army, and therefore there would be a saving on her part. I thought that the only way to estimate it was to say that the saving must be divided between the two Governments. If that argument is accepted, it shows that the saving to India is half the total charge, and that India is therefore fairly charged with half that total charge while she keeps up this force.

15,404. (*Sir Ralph Knox.*) Broadly, the circumstances are these: the War Office holds that quite a million is borne upon the War Office estimates to meet the extra charges arising from the Army having to be maintained in India; at present that charge is divided between the two Governments, and India practically pays half of it?—Yes.

15,405. The other half remains as a charge against the British estimates because no claim on account of it is made against India?—Yes.

15,406. Of course, if the Indian Army had not to be kept going in this way, the whole charge would disappear and India would be relieved of her half a million, and the Home Government would be relieved of her half-a-million?—That is what it comes to.

15,407. (*Chairman.*) Are there any other points in Lord Wolseley's evidence on which you wish to remark?—I think that one or two sentences require qualification in order to avoid misunderstanding. At Q. 13,235 (p. 522) his Lordship said that, while India sends two or three battalions to a place like Suakim for a few months, the British Government keep a large garrison of 72,000 or 73,000 English troops in India permanently; it seems an important point in the argument that this garrison is kept by England entirely at India's expense. His words were "once in a way India sends one or two "or three battalions to a place like Suakim for a few "months, whereas we keep a large garrison of 72,000 or "73,000 English troops in India permanently." My point is that it is kept at India's expense. At Q. 13,262–4, he advocated the maintenance of the full strength of the Army as a reserve, but said that the cost of raising these recruits for India would be got rid of. In the circumstances that he was putting, it would only be by the cost being thrown upon England, because his hypothesis was that England would not be able to reduce the force. Then at Q. 13,251 he described the very great navy we maintain as one of the obligations due to our possession of India. It seems to me that, if India were in the hands of a foreign power, we should need a yet larger navy for the protection of our Eastern trade.

15,408. I think it must fairly be held that the defence of India is a claim on our Navy which cannot be put aside?—I question very much whether the British Government would be able to reduce the Navy in the Eastern seas if India were in the hands of Russia, we will say.

15,409. (*Sir Ralph Knox.*) Supposing India were entirely separated from this country and an independent power, one would certainly contemplate the necessity on the part of India to maintain a navy; if India were a separate power from all the European nations she would have to maintain a navy as China does?—But that is another point altogether. The point that Lord Wolseley was putting was that England had to keep up so large a navy because she owned India. I say that I think that, if another nation, a European power, held India, England would have to keep up a still larger navy; or else she would have to give up her Eastern trade and her position.

15,410. (*Chairman.*) But is it not a fairer way of looking at it to regard India and England as partners? In such a case the service we render to India saves her keeping a large navy; that is a very great service to India, is it not, as Lord Wolseley put it?—I am not arguing respecting the way your lordship is putting it, but simply the way Lord Wolseley has put it.

15,411. (*Mr. Naoroji.*) But if India had to find its own navy or army it would be an Indian Navy or Indian Army, not English Navy or foreign army?—Yes.

15,412. That would be for their own advantage?—I am not sure that it would be to her advantage; India would have to spend the money.

Yes; but India would have to maintain her own men, not other people's men coming and eating their bread.

15,413. (*Chairman.*) Will you go on, please?—At 13,285 Lord Wolseley suggested that, if it were not for India, we should not have troops in Egypt, or perhaps in Malta; but, while England, having India, tries to discharge her duty to India, she certainly has acquired and holds India for her own, not for India's sake. I do not think that Lord Wolseley's argument is a good one—that it is for India's sake that England maintains troops in Malta and the Mediterranean.

15,414. It is not for me to put an explanation upon Lord Wolseley's words, but I should have taken his meaning to be that, if we did not hold India, it is a question whether it would be necessary for us to hold the Mediterranean?—Yes.

15,415. I feel that that is rather outside our Commission; the only point in which it fairly comes in is, I think, that for instance, when the Indian Government quite reasonably argues that a part of the cost of Aden might be thrown upon the Imperial Government, the Imperial Government may reply "We are obliged *to*

" keep the Mediterranean on account of the communica-
" tion with India, and if you ask for that we shall ask for
" a contribution from you towards Malta." That does not close the question, but I do not think that we can argue it further than that before this Commission. The only question, that now remain on which you have any remarks to make relate to the Navy or Marine. Can you explain the objects for which the " Lawrence " was provided, regarding which some discussion arose ?—As explained in the letter which Sir Donald Stewart read at Q. 8531, the " Lawrence " was a despatch boat, provided for the use of the Political Resident in his judicial and political duties. Its substitution for one of the gun-vessels was merely proposed for greater accommodation and usefulness, for it was to be strictly non-combatant, merely carrying small guns for saluting and signalling. When some larger guns were subsequently put on board, under an impression that this was authorised by the Indian Marine Act, the Secretary of State wrote that such a step must not be taken without the sanction of Her Majesty's Government, and he directed that the armament should be returned into store at Bombay. I state this simply to elucidate a point in Captain Hext's evidence which there was some difficulty in understanding.

15,416. I thought that Captain Hext rather looked upon it as an undue interference on the part of the Admiralty in stopping the " Lawrence " carrying this armament, did he not?—He rather implied that the " Lawrence " was obliged to carry this armament, in order to protect herself against pirates; and in the correspondence there is no justification for that view.

15,417. At page 436, and in subsequent passages, there was a discussion about the arrangements between the Admiralty and the India Office in regard to docking expenses. Will you explain this?—In 1875 an arrangement was made with the Admiralty that, in addition to the actual disbursements for labour and materials, 10 per cent. should be added in all claims for dockyard labour and stores, including coals, and 2½ per cent. on victualling yard labour and stores, the percentage being in both cases charged " on the gross value of the stores, *i.e.*, on the value of issues and on that of returns." Orders were given in 1879 that vessels of the Royal Navy on the East India Station, not comprised in the squadron on account of which the contribution is paid to the Admiralty, should be treated on those terms as regards repairs, docking charges, fees, &c. The six vessels forming the Indian Squadron were to have the free use of the dockyard; and for the three employed exclusively in the Persian Gulf and adjacent waters, India was also to pay the expense of labour incurred and materials supplied, as well as the cost of the coals consumed. When Lord Gilford's Committee was appointed in 1889 to determine commuted rates which India should pay to cover the working expenses of the service, they pointed out that the rates for the charges of the dock and victualling yards fixed in 1874 were meant to represent the *extra* cost which would not have been incurred but for the work to the Indian troopships; but that a similar course had not been followed in regard to the rate charged for the loan of a ship to the Admiralty, or for the conveyance of Imperial passengers, and they considered that only actual extra outlay should be charged in both cases. In agreeing to this, the India Office abandoned all ordinary expenses incurred on behalf of the British Government, in return for the ordinary facilities rendered by the British dockyards to the troopships. As the trooping service is now given up, there is no opportunity for India any longer to receive in English dockyards reciprocal treatment; and allowance on this account ought, in some manner or other, to be given to India. For otherwise she suffers in a twofold manner; she gives docking facilities to the Royal Navy, while she has no longer any vessels to receive similar treatment in return; and she is allowed only to charge extra cost for the loan of a ship or the conveyance of a passenger, while she gets no corresponding receipt.

15,418. You lay stress upon the fact that the arrangement as made is one based on reciprocal treatment?—Yes.

15,419. And that the arrangements made have practically put India into the position of not being able to claim her advantage out of it?—Quite so, owing to the abandonment of the troop service.

15,420. On the other hand, it is to be assumed that the fact of docking facilities being found in India was taken into consideration in fixing what India should pay for the Navy. I think that the India Office had the full power of bringing that forward when the case was laid before Lord Rosebery, had they not?—Oh no, the docking question did not arise then at all.

15,421. Did you not mention in any way then that the Royal Navy had access to the Indian dockyards?—I do not think it was mentioned at all in the discussion as to the charge.

15,421A. Was it not mentioned as one of the advantages which India gave to England? I thought that India had a full opportunity of stating her case, and that no doubt incidentally it would have been stated (I had better put it in that way) that England had the advantage of using these dockyards. My recollection also was that this was placed before the Imperial Government; was it not so, Mr. Ryder?

15,422. (*Mr. Ryder.*) I think so, and I think the Treasury was familiar with the fact?—When the discussion first arose and the papers were originally prepared with a view to arbitration, the troopships were still running; I do not think the point could have arisen.

15,423. (*Chairman.*) Did not the India Office always tell us, and from time to time point out, that the Royal Navy ships were entitled to docking facilities?—I think it is very possible that it may have been mentioned. You have the papers before you in the Appendix, but the question of docking facilities formed no part of the original charge of 70,000*l.*; it was quite independent of that.

15,424. Oh, quite independent?—Consequently, I do not think that it could have been brought in.

15,425. I am speaking from memory, but you would admit that to whatever extent that was put forward by the Indian Government, it would be put forward as a ground to be taken into consideration in fixing the amount of the contribution? To whatever extent it was put forward it probably was taken into consideration. And further than that I would say, that, if the Indian Government relied upon it very much, I think it lay with them to say in preparing their case for arbitration, " Remember that the Royal Navy has the advantage of our docks." If they did not do so, the omission lies with them, not with the arbitrator?—I think, if your Lordship remembers the manner in which the contribution was assessed, you will see that that rather lies outside the argument. The question submitted to arbitration was as to the extent of the squadron needed for Indian purposes. That being granted, the Indian Government agreed to pay the effective and non-effective charge of the ships that were so needed; but there was no question of a set-off in the shape of docking facilities.

15,426. No, but I thought that in the award a distinct allusion was made to the service rendered by England to India by her Navy being always at hand for the defence of India, as a circumstance which must come into consideration?—Captain Hext, on page 435, Q. 7048, said: " With regard to Lord Rosebery's award, it appears " that sufficient attention has not been drawn, on the " Indian side of the controversy, to the services per-" formed by India for the Royal Naval Squadron, and " the large expenditure willingly incurred by India to " make the dockyards thoroughly efficient." I should say from that reply that I think Captain Hext shows that we did not draw attention to the point; but I am not prepared to admit that it ought to have been so drawn, because I think that it was one which lay outside the question that was then under discussion.

15,427. But, at all events, it was within the power of the India Office to bring it forward; and, if it was not brought forward, the omission lies rather with the India Office than with anybody else?—No; I do not accept that view, because at that time the troopships were running; we were receiving reciprocity, and, until the abandonment of the troop service occurred, we had no ground for saying that we were not receiving such reciprocity.

15,428. (*Sir James Peile.*) I think that the reference to Lord Rosebery was on one specific point—what were Indian purposes?—Yes. Lord Welby is putting before me that, when the contribution was assessed, we ought to have brought it forward: but I think that the question of docking lay entirely outside both the amount of the contribution and the arbitration. We had agreed under the decision of the Foreign Office Conference to pay the total charges for the ships that should be employed, and there was no question as to whether we could make a reduction on account of the use of the docks.

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15,429. (*Mr. Ryder.*) But is it not true to say that these dock facilities diminished the actual charge incurred by the Admiralty in maintaining those ships?—Yes; if India charged for the docks, the Admiralty would pay more for maintenance.

15,430. Would pay more; and therefore you may assume that a proper allowance was made for those facilities. When the Admiralty made up their bill and calculated what the ships really cost them, they calculated that they cost them about 117,000*l.* a year?—That is so.

15,431. And the payment is fixed at 100,000*l.*?—Yes. I think that, if the Admiralty had then made any addition for docking, India would certainly have disputed it.

15,432. But I think that they made an abatement; I mean that they base their claim upon what they actually found they were spending, and they were spending so much?—What they were spending on the ships, but not the docking charges in addition.

15,433. Yes, but I mean that the docking facilities which India gave to the Admiralty diminished the Admiralty expenditure on the ships, and therefore diminished the Admiralty claim against India?—Yes, but the Admiralty claim was made up of specific charges for the ships, and the question of whether the ship went to the Bombay dockyard or the Trincomalee dockyard was not brought in at all. The charge might have been made more, but we should have disputed that, and we should have said, "We are already giving "those facilities," and we could not have admitted any such claim.

15,434. These facilities must have diminished the Admiralty expenditure?—No doubt; but I think you will find that, if the Admiralty were to look into it, some of the docking charges must be incurred elsewhere than at Bombay, but that those charges were not brought in at all. I do not think that the question of docking was included in that calculation, so far as we had details before us of the cost of the ships.

15,435. (*Chairman.*) In Captain Hext's evidence, at Q. 7033 (page 434), reference was made to a letter from yourself to Sir David Barbour, which is on record in India. What letter is that?—It was a purely private letter relating to various subjects, and I was quite unaware that any portion of it had been officially recorded. It has no authority, and is merely of interest as giving my own impressions of the Foreign Office Conference which had taken place two days before. I can read it, if desired. I see that I said that "we," *i.e.*, the Indian Authorities, "shall specify the "kind and number of vessels." I did not know that my private correspondence had been put on record to be quoted.

15,436–7. Do you wish to say anything more about the relative duties of the Indian Navy and the Royal Navy?—At Q. 8236 (p. 442), Mr. Cuming, to show that the Indian Navy had to protect the trade of India "generally," quoted a letter from the India Office to the Admiralty of October 20th, 1862. Sir Donald Stewart, at Q. 9530, showed that the insertion of a comma materially altered the meaning of that letter. If it be omitted, the passage reads rather against than for the view that the protection of India's trade "generally" had been hitherto undertaken by the Indian Navy. And there are various sentences confirming this view in the despatches written at that time, which show what at any rate was in the mind of the Secretary of State for India. For example, in the despatch of November 28th, 1862, which abolished the Indian Navy, it was said that the wisest course would be "to provide other-"wise for the performance of such duties afloat as "cannot advantageously be undertaken by vessels of "the Royal Navy. Such services as are required from "ships of war in the Persian Gulf will for the future "be performed by the Royal Navy." And then the despatch provided for "the floating defences of the "Indian ports and harbours," all the expenses of which "will, of course, be defrayed out of the revenues of India." The inferences are twofold. (1.) That all services which it was intended that India should in future perform would "of course" be paid for by India. (2.) That the services on the high seas should be entirely transferred to the Royal Navy, and that none of them should be paid for by India. The previous correspondence shows this even more clearly. The Government of India having objected to the abolition of their navy without some force being left at their disposal, Sir Charles Wood replied on the 30th of August, 1861, "You recommend that Her Majesty's Government "shall place a force of ships at the disposal of your "Government for the naval defence of India, which "shall never be withdrawn without your consent, and "the cost of which shall in part be defrayed out of the "revenues of India; that the Indian Navy shall then "be abolished; and that a transport service shall be "created in its place. There are, in my opinion, "insuperable objections to the first of these proposals. "It is contrary to the true principles of naval warfare "that any portion of the naval force of a country should "be confined to the defence of one particular place. "In a naval war no policy could be so suicidal as to "distribute small squadrons over the vast area of Her "Majesty's possessions in different parts of the world, "leaving the enemy at liberty to concentrate his "strength upon the attack of any one point. The "power of wielding the whole naval force of the "Empire must rest absolutely in the hands of Her "Majesty's Government, who must be responsible for "the defence of India against any serious attack by "sea. This defence, indeed, could probably be far "more effectually provided by means of operations in "the Channel, the Mediterranean, the Baltic, at the "Cape, or on the coast of Tartary, than by such a "squadron as you propose to station upon the coast of "India; and, as India cannot be permitted to exercise "any control over the disposition of the Imperial Navy, "so she cannot properly be charged with any portion of "its cost." And again, "the nature of the services "required to be performed by vessels of war in the Red "Sea and upon the Eastern Coast of Africa has recently "been much changed, in consequence of the extension "of the foreign slave trade, and the more frequent "presence of foreign ships of war. Her Majesty's "Government, therefore, consider that, for the future, "vessels of the Royal Navy should be employed in "those seas instead of vessels of the Indian Navy; and "that, as the purposes for which they are employed "are Imperial, so their cost should be borne by the "Imperial Exchequer." "There remain, however, "duties of considerable importance which must be "performed at the charge of the Indian revenues"; and these were described as "the police of the Persian Gulf"; "the protection of her forts against a small "attacking force from the sea, by batteries on shore or "by defences afloat"; the completion of certain surveys; the transport of troops and stores; and the maintenance of the navigation of the Indus. If it had been at that time the view of the Admiralty that India ought to contribute towards the cost of the squadron, it is incredible that they should have allowed seven years to elapse before preferring any claim for payment.

15,438. "He is of opinion, therefore, that as regards "India, the general defence, the protection to trade "generally, and the measures for putting down the "slave trade on the eastern coast of Africa, which have "hitherto been performed partly by Her Majesty's "Navy and partly by the Indian Navy, should be "undertaken altogether by Her Majesty's Navy." What is the point to which Sir Donald called attention?—You will find it on page 471, Q. 9530; he read the paragraph again; it is a comma after the word "Africa," and it is whether the words "which have "hitherto been performed partly by Her Majesty's "Navy and partly by the Indian Navy" should be read as applying to "the measures for putting down "the slave trade on the eastern coast of Africa" only, or also to the previous words—"the general defence, "the protection to trade generally," and so on.

15,439. Of course, in dealing with the question we must not take the expressions of the Indian Secretary of State as final?—No.

15,440. The Indian Secretary of State states the case of India, and it is not sufficient for him to say that India would have the service of the British Navy without paying for it?—That is so. My point is this: the Admiralty representative quotes a letter as showing what was the view of the India Office. I say that, if that comma is left out, there is a different view given, and that the despatches written by Sir Charles Wood at that time certainly show that he held a totally different view.

15,441. Would not that be answered by the original document? I think that Sir Donald will agree that we must not place and replace commas at discretion. If the original document has the comma, that would settle the question, would it not?—No, it would only show that the copyist who wrote it inserted a comma; I do not think you could trust to that.

(*Sir Donald Stewart.*) I think that, to understand the case, you must go into all the previous papers; and we have gone through them all, and I think that there is plenty of evidence to support the view which I have taken of it—if you refer to the original drafts, the original notes of the document—and I have not the slightest doubt that at that time Sir Charles Wood was giving the decision of the Cabinet.

15,442. (*Chairman.*) When he was First Lord of the Admiralty?—No; he was Secretary of State for India then; he was First Lord of the Admiralty at a later date.

15,443. When he was First Lord of the Admiralty he gave a decision which you reckon was favourable to India; I think we must take that as the decision of the Government. I do not think I would take his decision from what he wrote as Secretary of State for India, because there he was arguing the case of India?—May I sum up my point in this way: as Secretary of State for India he wrote despatches which I have read showing clearly that Sir Donald Stewart's view was the one which was held at the time by Sir Charles Wood; therefore Mr. Cuming's argument on a letter from the Admiralty, on which a different interpretation can be put by inserting a comma, falls to the ground. Then I come to the question of what was in the mind of the Admiralty itself.

15,444. I want to interrupt you there. There must be an original of that letter?—Yes.

15,445. You say that it may be a copyist's mistake. I think the first thing is to go to the original letter, as it stood. I do not think it would do to assume that that matter, as it stands, is a mistake. Some authority usually reads over a letter before it is signed, and most of us who have to sign letters ought to know what the meaning of the letter is and correct such a thing as a copyist's mistake. I think that the original letter must decide?—I do not know how it was actually written, because the original is, of course, in the possession of the Admiralty, not of us; but I do not think you could lay stress on the fact that a comma had been inserted in a letter which had been given to the Under Secretary of State to sign, when you find that Sir Charles Wood in his despatches held a different view. But then I come to the Admiralty point. If the Admiralty believed that a comma ought to have been inserted and that the meaning thereby conveyed should have been acted upon, why did they not make any claim for seven years?

15,446. The argument is this: it is perfectly clear that they did not make a claim, and so far, your argument is, I think, fair. On the other hand, you must recollect that India at that time was only just emerging from the Mutiny, and it is, I think, perfectly arguable that the Imperial Government might not have wished at the moment to press India, without meaning to give up such a fair charge against India when she got into sufficiently better circumstances to enable her to bear, at all events, as much cost for a navy as she did before? —May I reply to that point of your lordship's that the suggestion was made by one of the Admiralty witnesses —I think it was Admiral Kennedy—that it was on account of India's financial embarrassment that the Admiralty temporarily waived their claim. I reply to that that I am not aware of any authority for such a suggestion; it is quite opposed to the action of the War Office, at that time; and no help was given to India as regards her debt, so that the Treasury did not take that view. Moreover, by 1862-3, when this discussion with the Admiralty occurred, India had fairly overcome those difficulties, having in that year a very large surplus of revenue over expenditure (Rx. 1,820,000).

15,447. (*Sir Donald Stewart.*) Besides this, the Governor-General of India, in bringing to the notice of the Secretary of State his proposal to abolish the Indian Navy, offered to pay a certain contribution to Her Majesty's Navy, for the maintenance of the ships required for Indian purposes in the Indian seas; I think Lord Canning offered to pay one-half?—Of the cost of the squadron which should be maintained specially for India; it was a different proposal.

(*Sir Donald Stewart.*) But it was in that year, 1862. The question of the inability of India at that time to contribute to the Navy, I think, falls to the ground.

(*Chairman.*) You think that India had sufficiently emerged from her difficulties, as Sir Henry Waterfield says, and that the Imperial Government would not have felt called upon to spare her?

(*Sir Donald Stewart.*) Certainly not; and there is the fact that the Governor-General distinctly offered to pay and thought that India ought to pay a share of the cost.

15,448. (*Chairman.*) That is a good argument. I cannot quite admit Sir Henry Waterfield's argument that, because a concession was made in the case of the Navy, therefore that concession ought to have been made also in the case of the Army; or an argument drawn from the fact that neither the War Office nor the Treasury made a concession. I do not quite admit that argument?—All I say is that there is no evidence of the British Government having been very tender to India at that time.

(*Sir Ralph Knox.*) Did not the English Government accept the 10*l.* capitation and the 3*l.* 10*s.* capitation just about that time?

15,449-50. (*Chairman.*) I think that was Colonel Tulloch's Commission of 1860, was it not?—Yes.

15,451. (*Sir Ralph Knox.*) The Home Government always considered that they had let India off pretty easily by accepting those terms; do you not think so? —No, I am not aware that they did; I do not think you will find that it was considered to be generous treatment; it was considered to be fair treatment.

15,452. (*Sir James Peile.*) To go back to the payment for the Navy. Is there not a different explanation of the payment by India? In 1862 the Royal Navy undertook the protection of trade, and for seven years no charge was made?—Yes.

15,453. At the end of seven years a charge was made for the first time?—Yes.

15,454-7. Do you recollect the circumstances? What I have in view is this: You will find in the correspondence, which we have before us, that the Government of India at the end of that seven years suggested that for the police of the Indian coasts—quite a distinct object from the protection of trade generally—they should be allowed to establish a special service. They were told in reply that they could not be allowed to establish a service of their own, but that the English Government would supply ships of the Royal Navy; and the Government of India agreed to that proposal and offered to pay seventy thousand pounds for that service. Is not that a perfectly distinct thing from the protection of trade generally?—In the memorandum of the India Office case the words are emphasised "*for these purposes;*" that that 70,000*l.* a year was paid for these purposes, that is, "the maritime police of the "coast and the repression of piracy and of the local "slave trade." There is no mention of the protection of trade.

15,458. I know it is in the correspondence somewhere? —It is on page 310.

(*Sir Donald Stewart.*) And I think the Secretary of State arranged, in 1869, to make this payment without any reference to the Government of India.

15,459. (*Sir James Peile.*) The Government of India had asked to be allowed to have a service of their own, and they were told that they could not have it—it is all in the papers that we have before us—and it seemed to me that Lord Rosebery entirely overlooked the fact that this was a special arrangement for the defence of the Indian coasts, which India paid for?—Yes.

15,460. And had nothing to do with the general protection of trade?—Yes. Without disputing Lord Rosebery's award, I think I may again quote distinctly that the 70,000*l.* a year was given for "the maritime "police of the coast and the repression of piracy and of "the local slave trade."

15,461. While the English Government was paying for the general defence of trade and up to that time made no charge at all?—Yes, that is so, in our view, distinctly and clearly.

15,462. (*Chairman.*) As far as it goes, the question that you ere arguing now is not the immediate point, is it? The immediate point is, so far, this, that the award is now given not upon the idea of a general contribution to the Navy, but upon the ships necesssary to be maintained on the coast?—Not to be maintained on the coast; to be maintained in Indian waters.

15,463. In Indian waters. So far, it is an academic discussion, because the Imperial party have not put forward a claim that India ought to contribute to the Navy generally, which the India Office give reasons for demurring to?—I think not an academic discussion, because I think one of the points distinctly referred to the Commission is what the contribution is to be.

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15,464. What the contribution is to be; but at the present moment the contribution is not supposed to be a general contribution to the Navy?—It is a contribution for the keeping of the squadron in Indian waters.

15,465. There is only one other point I should like to draw attention to here; you quote passages showing, I think, that, as in the case of other dependencies, no contribution should be asked for the Navy generally?—Yes.

15,466. Have not circumstances rather moved forward since then? Without going into the question that India originally kept a navy for her own purposes, but merely taking the present state of things, is it not the case that the Imperial Government has in recent years been moving in the direction of trying to get other dependencies to contribute?—Yes, that is so.

15,467. And therefore that point should be taken into consideration when it is submitted that there is no general contribution from other dependencies?—Yes. I have no doubt that the British Government would like to get a contribution from other colonies as from India.

15,468. You claim generous treatment of India on account of the value of the Indian Marine to the Admiralty?—Yes. I wish to draw attention to Admiral Kennedy's statements on this point, in Qs. 8459 (page 449), 8483, 8495-6, and 9439-41. He there shows that it is worth the while of the Admiralty to pay large subsidies to the private steamship companies, and that the Indian Marine is of great value for a similar purpose: and therefore I contend that India is entitled to similar generous treatment, and that the value of the Indian Marine vessels ought to be taken into consideration as being available for service to the Admiralty in an emergency.

15,469. Do you know the facts about the supposed services of the Indian Navy in China and New Zealand?—A claim for the services of the Indian Navy in China was preferred by the India Office, and admitted on condition that India would allow a counter-claim for the services of the Royal Navy during the Indian Mutiny; both claims were eventually withdrawn. If any services were rendered by the Indian Navy in the conveyance of troops to New Zealand, no claim appears to have been made on that account. Captain Hext mentioned that there was some claim which was never satisfied; but we certainly did not prefer a claim.

15,470. Do you agree that the Indian Navy was maintained by the East India Company for the protection of their trade?—Not in later years. The right of the East India Company to a monopoly of the trade with India was withdrawn from them by Parliament in 1813; but the monopoly of the China trade was confirmed till 1833, when it was abandoned. After that date the Company had no private interest in the protection of Indian trade.

15,471. But in the interval she kept the Navy, which may be supposed to have been intended for the protection of her trade?—No; that is my point; the Company had no trade to protect. India kept the Navy for the protection of her own interests, not for the protection of the Company's trade.

15,472. If India kept her own Navy, it may be fairly assumed that she kept it for the protection of her trade?—She had no trade.

15,473. She had no trade?—I do not mean that there was no Indian trade. The question (No. 8712, on p. 459) was as to the supposed personal interest of the East India Company—their profits from the trade.

15,474. I think the argument would be that her own interest as a trading company was gone, but at the same time she kept her Navy, and that Navy was charged with the ordinary duties of a navy on the Indian coast, including the protection of her trade, just as much as the English Navy is kept for the protection of English trade?—The protection of India's trade, but not the protection of the private interests of the Company.

15,475. No?—That is my point.

15,476. Can you give us any explanation of the reasons why a different rate of exchange is taken in the Budget for the calculation of the equivalent in rupees of the British soldier's pay and the exchange compensation allowance?—(I may mention that these are Mr. Jacob's answers, and I will read what he has written.) The British soldier's pay is converted from sterling into rupees at the rate fixed for each year for the adjustment of transactions between England and India, which is generally, for brevity, called the official rate. That rate is fixed for the ensuing official year some time before the Budget, and is based on the average rate of exchange during the current year up to date. When once fixed it is not an estimate, but applies absolutely to all sterling payments made to the British soldier during the year for which it is fixed.

On the other hand the actual rate at which the exchange compensation is paid is fixed quarterly, and is based approximately upon the actual average rate of exchange in the preceding quarter. It is, however, necessary to take some figure for the purposes of the Budget estimates, and accordingly the best estimate possible is made at the time the Budget is framed. That rate being framed at a somewhat later date than that at which the official rate is fixed, and being based on later information, may sometimes differ from the official rate; but it is an estimate pure and simple; and it in no way affects the rate at which the compensation allowance is paid. The figures for the official rate of exchange and the estimated and actual rate of exchange for the purposes of the compensation allowance in each of the last two years are:—Official Rate, 1895-6 $13\frac{1}{4}d.$; Exchange Compensation Rate—Budget, $13d.$; Actual Quarterly, (1), $12\frac{25}{32}d.$ (2) $13\frac{9}{32}d.$ (3) $13\frac{7}{32}d.$ (4) $13\frac{3}{4}d.$; Average for year, $13\frac{1}{4}d.$

15,477. And that rate is rather better than the $13d.$ which you put under the Budget?—Yes, and it happens to coincide exactly with the official rate. In 1896-7 the official rate was $13\frac{1}{2}d.$, and the Budget rate $13\frac{3}{4}d.$, but the actual quarterly rate for compensation was much higher, viz., $14\frac{7}{32}d.$, $14\frac{3}{32}d.$, $14\frac{5}{32}d.$, and $14\frac{25}{32}d.$, giving an average for the year of $14\frac{5}{16}d.$

15,478. That would be to the advantage of the Indian revenue, would it not?—Yes, in this case.

15,479. Is the soldier, then, paid at the official rate?—The compensation does not apply to the soldier's pay at all; it applies to the officer's pay. The soldier is paid at the official rate, the officers are paid an exchange compensation which in that year gave them the difference between $14\frac{5}{16}d.$ and $18d.$ on half their pay; the estimate was that they would get the difference between $13\frac{3}{4}d.$ and $18d.$, and therefore they got less than had been budgeted.

15,480. And the revenue profited to that extent?—It was to the advantage of the revenue.

15,481. Is it the case, then, that in a time of falling exchange the rate at which the soldier's pay is calculated is a little disadvantageous to the soldier?—At a time when exchange is falling below the official rate fixed for the year, the soldier's pay is converted at a rate which gives him a smaller number of rupees than he would receive if his pay were converted at the current rate of exchange; but the converse would be the case when exchange is rising; and on the whole the method adopted is not disadvantageous to the soldier. As the official rate is the actual average for the period immediately preceding, the soldier in the long run is paid approximately at the actual average rate; he is always a year behind the actual rate, but over any period embracing several years the difference between the rate at which he has been paid and the actual average rate of exchange would be very small. It will be seen that in 1896-7 the rate at which the soldier's pay was converted was more than $\frac{3}{4}d.$ below the average rate of exchange prevailing during the year. The rate for 1897-8 will, however, be $1d.$ above that fixed for 1896-7.

15,482. The question is, whether the military authorities are satisfied with the method upon which the rate is computed?—Yes.

15,483. I assume it to be clear, that you could not pay the soldier upon the basis of a daily fluctuating rate of exchange; you must get some average upon which to pay him, and if the military authorities are satisfied that the present system is fair, the civil authorities may be satisfied also?—Yes. It was agreed with the War Office in 1884, I think it was, that the best way was to take the actual rate which had prevailed for the previous 12 months, and to fix it at that rate for the coming year.

15,484. (*Sir Ralph Knox.*) But that might be disturbed if the fluctuation was very great through a year?—It would come round again in the long run. Undoubtedly, during recent years the soldier's pay in rupees has annually increased in consequence of the rate falling year by year. If the rate were to rise year by year, he would receive less rupees; but in either

case, unless exchange very materially altered, a man who served in India five or six years would certainly get a fair average pay.

15,485. (*Chairman.*) But I take it that the soldier paid at the official rate has during the past two or three years made a very good thing of it?—In 1896-7 he received more rupees under the official rate than if he had been paid at the current rate.

15,485A. That is to say, there is a very large difference—unduly large, one might say—between the actual and the official rates—the official rate being 13¼; in the first year the average was the same, but in the last one it was 13½ against 14*d.* and getting on for 14½*d.*

15,486. (*Sir Ralph Knox.*) But in all these variations in economical questions it is not always the same person who benefits as the one who loses?—That is so; but in this particular case last year, the soldier received a great advantage; it went against the Government.

15,487. (*Chairman.*) And similarly, I suppose, that in the long run the difference between the official rate and the rate at which the exchange compensation is paid would be very small?—That is certainly the case. The rates may differ at any given time; but the main difference is that one of the rates is fixed for a long period, the other for a short period, and they are based accordingly on the actual average of preceding periods of corresponding length. In the long run the net outcome of the two sets of averages must approximate to each other.

15,488. And the only criticism really that can be put upon it is that which Sir Ralph has just mentioned, viz., that it is not always the same men who are affected, that is to say, with the regiments changing, it is not always the same men that get the advantage and the disadvantage?—Yes, that is so; but in practice we find that the official rate, which is calculated on the preceding 12 months, is quite as near as the budget rate, which is a guess of what is going to take place.

15,489. In the answer to Q. 14,477 it was stated that the rules of business of the Governor-General's Council are issued by the Council. I observe, however, that the rules which were placed before us purport to have been issued by the Viceroy himself. Can you tell us how they are issued?—They are issued by the Governor-General, not by the Governor-General in Council. Perhaps I may be allowed also to explain, with reference to Qs. 14,480 and 14,481, that the rules of business have been altered since Sir Donald Stewart was a member of the Governor-General's Council, and this accounts for the difference between his and Sir H. Brackenbury's opinion as to the powers of the Viceroy under those rules.

15,490. In this connexion, perhaps, you can also give us some further information as to the point raised in Qs. 14,524–8, about the power of the Viceroy to refuse to bring up certain matters in Council?—I can only invite the attention of the Commission to the fact that Rule 22, which was referred to in these questions, relates only to cases in which the Governor-General concurs with the initiating Member of Council. In any such case the Governor-General may consider the matter of sufficient importance to be brought before the whole Council, or he may consider it unnecessary that it should be so brought. He has an absolute discretion to decide "whether and when" any such matter shall be brought before Council. For cases in which the Governor-General differs from the Member of Council Rules 23 and 24 provide; and in any such the matter must come before Council sooner or later, if the Member adheres to his view, and the Viceroy to his.

15,491. Then does the rule provide absolutely that in such case the matter must come before the Council—that the Governor-General cannot stop it?—I believe that that is so, but I have not brought the rules with me.

15,492. Therefore, according to your belief, the Governor-General has not the power of stopping a Member from bringing a question before the Council?—No; it must, sooner or later, come before the Council.

15,493. (*Sir Ralph Knox.*) That is to say, if the Member presses it?—Yes.

15,494. (*Chairman.*) I notice that Sir Henry Brackenbury stated in his evidence (Q. 14,494) that the Accountant-General in the Military Department is really an officer of the Finance Department in the Military Department. This is not exactly the impression conveyed to us by the evidence given by yourself and Mr. Jacob. Have you anything to say on that point?—I will read Mr. Jacob's answer—If I may venture to say so the statement you quote expresses what *ought* to be the position and status of the Military Accountant-General; but I do not at all understand how it can be held to represent his present actual position. He is an officer of the Military Department, appointed by and responsible to that Department, and he is in no way directly under the Finance Department, and, indeed, he has no direct communication with that Department. In proof of this, I put in some further papers* relating to the position and duties of the Military Accountant-General, and the Controllers of Military Accounts. It will be clear from this that, while the Military Account officers are, as to certain account matters, in subordination to the Comptroller-General, they are in all other respects officers under the administration and control of the Military Department; both the Accountant-General and the Controllers are appointed by the Military Department; and even in matters of audit it is to the Military Department and not to the Finance Department that the Controllers are directly subordinate. The only exceptional power conferred on the Accountant-General, Military Department, is that he may not be over-ruled upon a question of financial rule or procedure by the Military Department without reference to the Finance Department (*See* Military Account Code, p. 5); but even then the reference to the Finance Department is made by the Military Department, and the Accountant-General cannot have any direct and formal communication with the Finance Department, whether official or unofficial. I would submit, therefore, that the Accountant-General cannot be described as an officer of the Finance Department. In respect to this matter I may refer to Sir D. Barbour's evidence (Q. 2135 especially) in which he refers to the appointment of the Military Account Officers by the Military Department as theoretically, at any rate, a weakness in the system.

15,495. I think that that answer makes the position very fairly clear. I confess that I was very much surprised at Sir Henry Brackenbury's description, and I was under the impression that he was only giving us a description of the officer in order to make his duties more intelligible to us, saying, "This officer is a "purely financial officer. I might describe him as an "officer of the Finance Department put into the "Military Department"; because I could not understand how under the constitution of the office he could be described as an officer of the Finance Department. I can quite understand it being said that Sir Ralph Knox is a financial officer, but I do not think he would be very ready to describe himself as an officer of the Treasury?—I think that the point is one upon which there has been a little difference of opinion between the Military and the Finance Departments in India. The Finance Department would rather hold that the Military Accountant-General ought to be under them.

15,496–7. Of course, that is a difference. As a general rule it is a very bad thing for one minister to appoint a subordinate to another office? That is a cardinal rule of administration; and I should have thought that Sir David Barbour was perfectly wrong in thinking that this officer ought to be appointed by the Finance Member. There is one other point in Sir H. Brackenbury's evidence on which I should like some further explanation from you. He states (Q. 14,592) that, when the Military and Finance Members of Council meet to discuss the new items of military expenditure to be introduced into the Budget, the latter is accompanied, as a rule, not merely by the Financial Secretary, but also by the Comptroller-General. I have understood you in previous evidence to demur to the view being taken that the Comptroller and Auditor-General is practically an officer of the Financial Secretariat, and as much an executive as an audit officer; and I should like to ask you whether this statement does not militate against your view?—Here, again, I must give Mr. Jacob's words, because it turns upon his own personal experience. He says, "I can only say that the "statement as to the Comptroller-General attending "such conferences must have been made under some "misapprehension. I was Comptroller-General when "Sir H. Brackenbury took charge of the office of "Member of Council, and in four of the five years "during which he held office I was on duty at the

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"time the estimates were framed, either as Comptroller-"General (for three years), or as Acting Secretary to "Government (for one year), and I never attended "any such conference except on the single occasion on "which I was acting as Secretary, and on that occa-"sion the officer who was acting in my place as "Comptroller-General did not attend the conference. "It would indeed be quite foreign to the duties of the "Comptroller-General to take part in any discussion as "to the propriety or admissibility of new military "expenditure. His examination of the military esti-"mates is confined to their comparison with the actuals "of previous years, and of the expired months of the "current year, and applies far more to the revised "estimate of the current year than to the budget "estimate."

15,498. The point that Mr. Jacob wishes to bring out being that he was not so much an active consultative officer of the Finance Department as Sir Henry Brackenbury's answer would rather lead us to suppose?—Yes.

15,499. In speaking of the cost of the Indian Contingent sent to Egypt in 1882, Lord Northbrook, at Qs. 14,124 and 14,160, said that he had been informed that the total cost was 1,700,000*l.* Have you anything to say regarding this?—I am responsible for the information given to Lord Northbrook; but I have not been able to find how the figure he mentions was arrived at, and there seems certainly to be a confusion between tens of rupees and pounds sterling. According to the best calculation that I am able to make, the total cost of the Indian Contingent may be put at Rx. 1,410,000, including Rx. 72,000 for the ordinary expenses. Towards this England paid 500,000*l.*, besides about 50,000*l.* in repayment of specific charges, and, at the exchange of 20*d.* to the rupee, these would amount to Rx. 676,000, leaving India to bear Rx. 734,000. So that in this case there was a much closer approximation than usual to equal division of the expenditure, although it arose fortuitously, not under the application of such a principle.

15,500. (*Sir Ralph Knox.*) But what was the total cost?—That was the total cost.

15,501. Including the extraordinary expenditure?—The extraordinary as well as the ordinary, which was Rx. 72,000, I calculated.

15,502. That is to say, on that occasion India bore not only the ordinary charges but a large portion of the extraordinary charges?—Yes.

15,503. But in the recent expedition India bore only the ordinary pay?—That is so.

15,504. (*Chairman.*) You wish, I think, to refer to a point in Mr. Morgan Browne's evidence as to Sir James Westland's financial statements?—In replying to Q. 13,778, stress was laid upon Sir James Westland's having attributed the deficit for 1894–5 to "one cause, and one alone, namely Exchange." I think that, in justice to Sir James Westland, I should point out that, after referring on the 1st of March 1894 to the increased cost of the army, and the charges for Upper Burma, and the necessity that had arisen in 1888 for imposing taxation to cover that expenditure, he said, "Again our "revenue is falling seriously short of our expenditure, "but of this there is now one cause and one cause "only," the fall in the gold value of the rupee. Now the charge for exchange in 1888–9 was Rx. 6,383,100, and in 1894–5 Rx. 14,615,300, an increase in the six years of Rx. 8,232,200. The total increase of net expenditure from 1888–9 to 1894–5 is shown in Sir Henry Fowler's return to have been Rx. 7,016,882 including exchange; so that apart from exchange there would have been an improvement in the 6 years of more than Rx. 1,200,000. I am compelled also to demur to the inference drawn in answer 13,738 that, because in 1888 Sir James Westland summarised the Indian and English figures "excluding exchange," and then added "exchange on home expenditure," he was unaware that the former included the addition to the British soldiers' pay, which was the result of the fall in exchange.

15,505. I do not quite follow from the figures before me how you arrive at that Rx. 1,200,000, as the improvement in the six years?—There was an increase in the exchange of Rx. 8,232,000, and the total increase, including exchange, was Rx. 7,016,000, therefore there was a saving otherwise of Rx. 1,216,000.

15,506. Mr. Buchanan is not able to be present to-day, and he put this paper into my hand in order that on his behalf I might put a question to you. He wished to ask you why no resolution was moved about the Perak Expedition in 1875?—I was not connected with the Financial Department at that time, and I can find no record at all on the subject; but I think the explanation lies in the fact that less attention was paid to the language of the Acts of Parliament in those days than has been the case since. The same thing arose in the case of China; although Indian troops were lent on that occasion and the ordinary expenses paid by India, there was no vote in the House of Commons to cover it. I suppose that, if the question did not escape attention altogether, it was held that the language of section 55 of the Act for the Better Government of India did not require it. The words are, "Excepting for preventing or repelling "actual invasion of Her Majesty's Indian possessions, "or under other and urgent necessity, the revenues of "India shall not, without the consent of both Houses "of Parliament, be applicable to defray the expenses "of any military operation carried on beyond the "external frontiers of such possessions by Her Majesty's "forces charged upon such revenues." In the case of Perak, the Secretary of State from the first stipulated that no expenses arising out of the operations should be charged upon India. He consented to the ordinary expenses being charged which would have been incurred if there had been no such operations; and I think it is perfectly arguable, or, at least, I think it may be held, that at that time it was not thought that there was any infringement of the Act, if expenses arising out of the military operations were not charged on the Government of India.

15,507. (*Sir Ralph Knox.*) That was a sudden military emergency, was it not, which would be covered by those terms?—Yes, I think that it might have been held to be covered by those words, but it was not a sudden and urgent necessity to continue to charge it; it would have justified the despatch of the expedition before the Houses of Parliament could be asked to consent, but I am not sure that that would have justified—it certainly is held now that it would not have justified—the charge of any portion of the expenses on the revenues of India without the consent of Parliament.

15,508. (*Chairman.*) Is there any provision that in the event of the Indian troops being used for a sudden emergency the assent of Parliament should be asked to cover this act of the Imperial Government?—The only provision on the subject at all is in sections 54 and 55. Section 54 requires that, if hostilities are ordered to be commenced by Her Majesty's forces in India, the fact of such order having been sent shall be communicated to the Houses of Parliament within three months; and section 55, which I have just read, requires that the consent of Parliament shall be obtained for any portion of the expense being charged upon Indian revenues.

15,509. Was any communication made to the Houses in regard to Perak in 1875?—No; not in that case at all.

15,510. Then the only explanation that can be given for it is that for some reason unknown the Act of Parliament was not complied with?—No, unless, as Sir Ralph Knox put it, the words with reference to a sudden emergency cover the case.

15,511. That would not cover section 54, which requires that a communication should be made within three months?—No.

15,512. (*Sir Ralph Knox.*) Was there telegraphic communication in existence at that time?—Oh, yes. The troops were despatched immediately, and I noticed that in Lord Northbrook's evidence he spoke of the remonstrance of the Government of India upon the subject; but that remonstrance was based on what he considered the inequity of charging India with any portion of the Perak expedition, not on the illegality; that point, I think, did not arise at all.

15,513. (*Chairman.*) How came it that that omission was not noted by the Audit Department?—There was no expense whatever in this country, and therefore the Auditor of home accounts had no *locus standi* for reporting to Parliament.

15,514. No; but the Auditor in India?—I think that upon that I must say that at that time there was no such system of audit as we have now. Your lordship will remember that the whole position of the Comptroller and Auditor-General, as he is now called, was changed after the Afghan War; and when the Perak expedition

took place, there was a very simple system of audit for reporting to the Government of India.

15,515. Are the ordinary pay and expenses of Indian troops serving outside the boundaries of India separately audited, as they should be under the provisions of section 55 of the Government of India Act?—I think that the ordinary expenses of troops serving out of India are not separated unless they are to be charged to the British Government. In that case it is necessary to keep a distinct account, but we have here no return of the ordinary expenses, and the figures which I have in one or two answers put before the Commission have only been arrived at on a calculation of what is probably the approximate cost. No doubt the accounts of the Government of India would enable such a return to be made up, but it is not usual to do it.

15,516. But at the present moment is it within the power of the Auditor in India to report if expenditure has been incurred by the Indian Government without the resolution of the House of Commons having been obtained? — He would report if the consent of the Secretary of State had not been given. I am not sure whether the Auditor in India would think it necessary to go behind the Secretary of State, and see whether the Act of Parliament had been infringed.

15,517. What I wanted to know was whether it would be possible. I do not quite gather from your answer whether the accounts were kept so far separate that the Auditor would see upon the face of the accounts that expenditure had been incurred outside India?—Yes, that would certainly come before him.

15,518. And therefore it would be in his power to see it?—Yes, it would be in his power to say so.

15,519. Mr. Buchanan has a further question as to whether he would feel it his duty to report?—I gave an answer to a question somewhat to that effect put, I think, by Sir Andrew Scoble. He asked me what would be done in such a case, and my answer was that I thought the Secretary of State was the responsible person. I am not sure whether the Auditor in India would take it up.

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15,520. That, of course, touches the question which is to a certain extent at issue between us, the view of the Auditor's duties that we should take here and the somewhat more restricted view which I think the Indian authorities generally take of the duty of an Auditor?—Yes. The Auditor-General in India is not, as at present constituted, an officer responsible to Parliament.

15,521. No, but he has been put before us as an officer very much corresponding in his powers to the Comptroller and Auditor-General here. I have not the least doubt that the Comptroller and Auditor-General here, under his responsibility to Parliament, would call attention to any infraction, whether of Acts of Parliament or of orders of the Secretary of State, in fact any departure from recognised authority. I do not think that you in India think that that is the duty of the Comptroller and Auditor-General?—It is not at present, but it may be made so; the Comptroller and Auditor-General at present holds himself responsible to see that the orders of the Secretary of State are carried out. If the Secretary of State were to instruct him to see also that the orders of Parliament were carried out, he would do so.

15,522. You think, supposing the Secretary of State gave an order infringing an Act of Parliament, the Comptroller and Auditor-General in India would be going beyond his duty if he called attention to it?—I think that at present it would not be his duty. He is responsible to the Secretary of State. But I think that an order could be given by the Secretary of State, if it were thought fit, that in any such case he should include it in the report that he makes; there is nothing to prevent that.

15,523. There is nothing more you wish to call attention to?—I think not.

The witness withdrew.

Adjourned till Monday next at 12 o'clock noon.

At the India Office, S.W.

THIRTY-SEVENTH DAY.

Monday, 1st March 1897.

PRESENT:

THE LORD WELBY, G.C.B. (CHAIRMAN, PRESIDING).

The Right Hon. LEONARD COURTNEY, M.P.
Sir WILLIAM WEDDERBURN, Bart., M.P.
Field-Marshal Sir DONALD STEWART, Bart., G.C.B., G.C.S.I.
Sir E. W. HAMILTON, K.C.B.
Sir RALPH KNOX, K.C.B.
Sir JAMES PEILE, K.C.S.I.
Sir ANDREW SCOBLE, K.C.S.I., Q.C., M.P.
Mr. G. L. RYDER, C.B.
Mr. T. R. BUCHANAN, M.P.
Mr. W. S. CAINE.
Mr. DADABHAI NAOROJI.
Mr. R. G. C. MOWBRAY.

Mr. COLIN G. CAMPBELL, *Secretary.*

Field-Marshal LORD ROBERTS, V.C., G.C.B., called in and examined.

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15,524. (*Chairman.*) Would you tell us the posts that you have held in India, and also the administrative posts you have held here?—You mean of recent years?

15,525. Of recent years, yes?—I was Commander-in-Chief in Madras from November 1881 until August 1885, and I was Commander-in-Chief in India from November 1885 until April 1893; and, since I have been in this country, I have been in command of the forces in Ireland from the 1st of October 1895.

15,526. I think, previous to that time, you had a very long service in India, had you not?—Yes.

15,527. This Commission is appointed to inquire into the administration and management of Military and Civil Expenditure in India, and the apportionment of charge between the Government of the United Kingdom and India for purposes in which both are interested. We have taken evidence on the checks to which military expenditure is subject, and we should be glad to learn your Lordship's opinion on various points which have arisen in the course of that evidence?—I understand.

15,528. Have you seen the evidence of Sir E. Collen, of Lord Wolseley, Sir R. Knox, Lord Northbrook, and Sir H. Brackenbury?—I have.

15,529–30. There are two military representatives on the Council of the Viceroy, viz., the Commander-in-Chief, who is an extraordinary member of the Council,

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and the Military Member of Council; other branches of administration have only one representative. The question has been raised whether there is not, in consequence, too great a preponderance in the Council of the military element. What is your opinion upon that point?—I am quite certain that there is not too great a preponderance in the Council of the military element. The Military Member has no military authority, as General Brackenbury said (Q. 14,425), he is "absolutely, purely, and entirely a civilian;" and I have experienced quite as much, if not more, opposition from the Military Members with whom I have had to deal, when I brought forward any measures which entailed spending money, as from any of the civilian members of the Viceroy's Council

15,531. Do the duties of the Commander-in-Chief prevent him from being regularly present at meetings of the Council?—They do. From the latter part of October until March the Commander-in-Chief's time is chiefly spent in travelling about the country, inspecting, and attending camps of exercise, concentration of troops, &c. Were he to remain with the Government of India during those months he could not possibly become acquainted with the country, or gain that personal knowledge of the troops under his command which it is so desirable he should possess. During the 7½ years I was Commander-in-Chief I travelled, on the average, about 12,000 miles yearly.

15,532. And during your absence from the Council would the Military Member represent your views to the Council if you had occasion to bring any particular points before the Council?—I should communicate with either the Viceroy or the Military Member.

15,533. Is it not the case that the Military Member has never been a civilian?—So far as I am aware, it is.

15,534. And I suppose the Military Member has always existed as a member of the Council since the formation of the Indian Executive Council?—All the time I was in India.

15,535. Sir Henry Brackenbury has described to us the position of the Military Member of Council and his relation to his colleagues and to the Viceroy; would you describe the duties and responsibilities of the Commander-in-Chief in respect to military expenditure?—My duties and responsibilities as to military expenditure I conceived to be to take the utmost possible care that no money was wasted on unnecessary works; and never to recommend any measure entailing expenditure to be undertaken by Government, unless I thought it to be absolutely essential to the efficiency of the Army, for which I was responsible. In order to be quite certain about what was or was not necessary to this all-important end, I visited every station in India, made myself acquainted with the officers and troops, inspected the barracks, saw that the men were made as comfortable as circumstances would admit; that sanitary arrangements were attended to; that there was a sufficient supply of pure drinking water; that the hospitals were properly managed; that there were suitable means for instructing the troops in their various duties; in fact, that everything was done to ensure the several regiments, battalions, and batteries being ready to take the field at the shortest possible notice, but with the least possible cost. I made notes during the tour of all points on which expenditure would have to be incurred. If the cost were small I merely communicated with the Controller of Military Accounts to see if it could be met; but if at all large, I always brought the matter to the notice of the Government of India in the Military Department, and occasionally I wrote privately to the Viceroy or the Military Member, to ascertain their views; and on any big question, such an an increase to the pay of the native soldiers, I used to discuss the matter with the Financial Member. I did so with Sir D. Barbour while I was getting up the case about increasing the pay of the cavalry soldier. I wished at the same time to increase the pay of the sepoy, but refrained from making any recommendation, as I found that Sir David did not consider it desirable at the time, although he acknowledged it was a measure which would soon have to be carried out. Whenever I found that the Viceroy or the Military Member were opposed to my views, I never pressed them, unless I was convinced that the efficiency of the Army would be impaired, if they were not adopted.

15,536. Therefore, every question connected with the organisation of the Army that was brought before the Viceroy or the Council would come through you?—Yes.

15,537–8. What would you consider would be your duties from a financial point of view as a member of Council on questions brought forward? My question is directed to a point, upon which perhaps I may ask you a question further on, whether sufficient general attention is given to finance in Council; and I, therefore, ask what you consider would be your duties from a financial point of view as a member of Council?—To ascertain what the Financial Member or the Viceroy thought of it.

15,539. That is to say, you would not have thought that your duties were entirely confined to the question of the desirability or undesirability in themselves of changes in military organisation?—Certainly not.

15,540. (*Mr. Courtney.*) Sir William Mansfield took great pains to bring the subject of the currency before the Council, did he not?—Yes, he did.

15,541. Do you consider that to have been overstepping his pure duty?—Well, it would be outside mine, certainly. I do not understand it.

15,542. (*Chairman.*) But what I mean is, that the Commander-in-Chief, *quâ* Member of the Council, would feel himself at liberty to take part in the settlement of any question of administration that might come before the Council?—Certainly he would on questions, for instance, like the Public Service Commission, or matters of that sort, which he knew anything about.

15,543. And what were your relations, as Commander-in-Chief, to the Military Member of Council on questions of expenditure?—The financial duties of the Commander-in-Chief as Member in Council are, in my opinion, to support the Viceroy and Financial Member on all general questions, and on all military questions to accept their decision after having placed them in possession of the reasons which caused expenditure to be recommended.

15,544. Therefore, if you found the Viceroy and the Financial Member opposed to you, that difference of opinion from you would have very great weight with you?—Quite so. In my reply to a previous question (15,535), I have partly explained the relations of the Commander-in-Chief to the Military Member of Council on questions of expenditure. I may add that all proposals for expenditure not authorised by regulations are submitted by one of the two departments (Adjutant-General's and Quartermaster-General's) under the orders of the Commander-in-Chief to the Secretary to the Government of India in the Military Department. By him they are placed before the Military Member of Council or the Viceroy, or both, as may be considered advisable. If the matter is not one to be brought before Council—and of this the Viceroy is the judge—the decision of the Government is conveyed to the Commander-in-Chief, his recommendation either being accepted, modified, or refused.

15,545. I think we have gathered that the Viceroy has not the power in the long run of preventing a Member of Council from bringing questions before the Council, has he?—I do not think he has. Personally I always spoke to the Viceroy before I brought forward any subject, and I would not have done so without his consent. I did so only on two occasions, which I will mention afterwards.

15,546. There was formerly in the Home Government a Minister specially responsible for army finance, the Secretary at War, and it has been suggested that, as a general analogy, the position of the Military Member of Council rather corresponds to that formerly held by him?—So far as I know the duties which the Secretary at War had to perform in former days, I think that, as a general analogy, the position of the Military Member of Council corresponds to that which he held, *i.e.*, he is specially responsible for army finance.

15,547. The Military Member, then, would, at least in theory, be expected rather to check than to originate or encourage military expenditure?—Yes, in practice as well as in theory, so far as my experience goes, the Military Member does check rather than originate or encourage military expenditure. My experience extends over a good many years, for, besides being Commander-in-Chief in Madras for nearly four years, and Commander-in-Chief in India for seven and a half years, I was in the Quartermaster-General's Department at Army headquarters off and on for some 13 years. During all those years eight different officers held the appointment of Military Member of Council, and the bent of all was decidedly towards economy in military expenditure.

15,548. Would you explain to us the relations of the Commander-in-Chief to the Military Department, *i.e.*, to the Military Secretary and to the Military Accountant-General?—The relations of the Commander-in-Chief to the Military Department are much the same as towards the Military Member, except that he would usually be on more confidential terms with the latter. The Commander-in-Chief has no direct communication with the Accountant-General.

15,549. We have been informed that the Commander-in-Chief communicates with the Military Secretary, and that it would be in the power of the Military Secretary to communicate thereupon with the Viceroy, without reference to the Military Member. We understand that no doubt in practice he would communicate with the Military Member, but that he has a right—that all the Secretaries of the different Departments have a right—to go to the Viceroy, if they think proper?—Yes, that is the case; but, as a rule, I imagine that the Military Secretary would in the first instance refer any communication from the Commander-in-Chief to the Military Member.

15,550-1. I call attention to that point, because it is so very different from the organisation of our Departments at home, in which the Secretary of a Department is the subordinate of the Minister, and has no right practically to communicate with anybody except the Minister?—Quite so.

15,552. Whereas we gather that the Secretaries in the different departments of the Government of India, and of course among them the Military Secretary, have a certain independence of action if they choose to exercise it?—Yes, I think it is almost more than that, because on the Viceroy's table you find the schedule of the hours and days in the week in which each Secretary of a department will attend upon him.

15,553. Quite so?—It is a matter of course, I think, that they do go to the Viceroy.

15,554. And, therefore, it is a possibility that communications on military subjects might reach the Viceroy without the Military Member being aware of them?—I should not think it at all likely to happen; I think the Military Secretary is, practically speaking, the Secretary to the Military Member of Council, but at the same time he does go to the Viceroy.

15,555. As a matter of practice, one quite understands that that would very rarely happen?—I should think so.

15,556. (*Sir Andrew Scoble.*) He can go to the Viceroy if he is not satisfied with the decision of his immediate chief?—I think he does more than that. I think he goes regularly to the Viceroy.

15,557. Oh, yes, he does, he can; but, if there is a difference between him and the member in charge of his Department, he can bring the matter to the Viceroy on his own initiative?—No doubt.

15,558. (*Chairman.*) And what would be the relations of the Commander-in-Chief to the Finance Member of Council?—I think I have described the relations of the Commander-in-Chief to the Financial Member in my reply to a previous question (15,535). While it is the duty of the Commander-in-Chief to bring forward proposals involving expenditure which he believes to be necessary for the efficiency of the Army, he should act, as far as possible, in accord with the opinion of the Financial Member. I never found any difficulty in doing so, for the reason, I believe, that I was as anxious to avoid unnecessary expenditure as he was, though occasionally our views as to what was necessary and what was not necessary to the efficiency of the Army might differ. I may say that the Financial Member was always ready to meet my views as far as was compatible with the general requirements of the Budget.

15,559. And lastly, how would you describe the relations of the Commander-in-Chief to the Viceroy?—The relations of the Commander-in-Chief to the Viceroy should be of the most cordial and intimate nature. As the head of the Army in India, the Viceroy is almost as responsible for its efficiency as the Commander-in-Chief; and if the Viceroy, for some reason or another, objects to this or that proposal made by Army head-quarters, the Commander-in-Chief is bound to accept his decision without demur. The Commander-in-Chief should keep the Viceroy acquainted, by personal communication when they are at the same place, or by demi-official correspondence when they are separated, of all that is going on in the Army, and should endeavour to make the Viceroy interested in his plans and proposals for the well-being of the troops under his command. In Council, on questions in which the Commander-in-Chief may have no particular concern, he should, in my opinion, support the Viceroy. The Viceroy is the responsible head of the Government, and as he is in constant communication with the Secretary of State for India, he should know better than any of the Members of Council the feelings of the Cabinet and of the people in England in regard to any special matter that may be brought forward for discussion. So strongly did I feel the importance of supporting the Viceroy that I only remember two instances in which I obtained his Excellency's sanction to bring for a second time before the Council questions on which I had been out-voted, the Viceroy being with the Members who opposed me. One was the removal of ball ammunition from the pouches of soldiers, British and Native. The majority, of the Council thought that, in the event of a sudden disturbance, dangerous delay might occur in arming the soldiers. The matter to my mind was so important that I obtained the Viceroy's sanction to its being brought up a second time. I was then able to satisfy the Members that there were no grounds for the fear they had expressed, and that arrangements could be made by which ammunition could be served out as quickly as the men could be fallen in. My proposal was then agreed to, and the result was a remarkable decrease in the number of cases of murder, and suicide, and attempts at the same. In the year 1886–87, before the ammunition was taken away, there were 110 cases. In the first year after its removal there were only 63 cases, and in the second year still fewer, only 38 cases. The second instance was a difference of opinion between the Military Member, who was supported by the Viceroy, and myself as to the desirability of fortifying Multan. I pointed out that the value of Multan had gone by, that the advance of our frontier to Quetta had reduced its importance, and that it would be better to spend the money in strengthening the defences of Rawul Pindi. The case went against me on the first occasion that it was brought before Council, but at the second discussion I gained my point, and it was decided to fortify Rawul Pindi instead of Multan.

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15,560. Then may I take it that the Military Department is rather the department of the Military Member than of the Commander-in-Chief?—It is entirely the Department of the Military Member.

15,561. And perhaps I might sum up what you have been telling us thus: the Commander-in-Chief, rather than the Military Department, advises the Viceroy on military policy, while the Military Member is responsible for the estimates required to give effect to that policy, and the Financial Member explains the financial consequences of that policy, shows whether the revenue can be relied upon to meet it, and criticises the estimates in detail from the financial point of view?—The Commander-in-Chief is the military adviser of the Viceroy on all matters connected with the Army; but whether he is the adviser on military policy would depend, I imagine, on his personal character, and his knowledge of the country and the people. A Commander-in-Chief strange to India, without any acquaintance with the inhabitants, and with only a very general idea of our position in India, both as regards internal and external affairs, would be a very unsafe adviser, nor, I imagine, would any Viceroy be inclined to depend upon such a man for advice in the matter of military policy. As Lord Cromer stated more than once in his replies, the position which a Member of Council holds towards the Viceroy and his colleagues depends very much on the member's personality.

15,562. Of course the military policy includes all questions of organisation?—Yes, the Commander-in-Chief would, of course, be the adviser on questions of army organisation.

15,563. Did your experience lead you to think that these financial checks worked satisfactorily—that is to say, that they were such as are essential to sound finance—or did they hamper you?—From a financial point of view they were certainly satisfactory, but from the point of view of a Commander-in-Chief they were often a bitter disappointment, in that they effectually interfered with my carrying out many things which would have enhanced the efficiency of the Army.

15,564. But you were ready to defer, as I understand, to the financial authorities, if they convinced you of

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the difficulty of providing ways and means for that expenditure?—Quite so.

15,565. Sir David Barbour and Sir A. Colvin thought that the power of financial control entrusted to the Finance Member is theoretically complete, but that it is not so complete in practice. I do not think that Lord Cromer shared that view, at least as stated in general terms, and Lord Northbrook inclined towards Lord Cromer's opinion. What would be the result of your experience upon that point?—My experience leads me emphatically to endorse Lord Northbrook's and Lord Cromer's opinion.

15,566. Your experience on that point is the more important, because it may be assumed that the financial check, if weak at all, would be weak on questions of military expenditure?—Financial check is certainly not weak in matters of military expenditure. It checkmates many desirable moves.

15,567. Sir Auckland Colvin thought that the financial check had not been so strong of late years as it had been previously. As far as I could gather, he thought that it had been stronger in the period before, we will say, 1884 or 1885, than it was subsequently. Does that opinion to any extent tally with your observations?—In my opinion Sir Auckland Colvin has no grounds for saying that the financial check has not been so strong of late years as it had been previously—since, in fact, apprehension of Russia (the date of which was 1885) has given an impetus to military expenditure. I am supported in this view by the extract from a speech of Sir James Westland, the present Financial Member of Council, quoted by Sir Henry Brackenbury in his reply to Q. 14,593. Sir James shows clearly that what Sir Auckland Colvin calls a want of financial check may be more correctly described as a difference of opinion in regard to the policy by which the Government of the day were guided. I gather from the evidence given by Sir Auckland Colvin and Sir David Barbour before this Royal Commission, and also by their writings and speeches, that they considered the Financial Member did not, in their time, carry sufficient weight in the matter of directing the general policy of the country. But, surely, the power exercised by any Financial Member must depend upon his own personality, and the amount of influence which his opinion would have with his colleagues in Council. I do not see how more authority could be given to any particular Member of the Governor-General's Council without placing him in a position to exercise undue control over the policy of the Government, which, in the case of the Financial Member, might mean subordinating the safety of the country to financial considerations.

15,568. Could we put the evidence of Sir David Barbour and Sir Auckland Colvin as going further than this: that, seeing of what importance sound finance is in India, they thought that the objections of the Financial Member, if persisted in, should have a very great weight, if not almost impose a veto upon expenditure, That does not go quite so far, I think, as your definition of what they were desiring, namely, a greater influence in the policy of the Government of India?—What they suggested was that they should have a greater power in Council than the other members.

15,569. No; I have given my view of what their evidence was; and I asked you whether you thought that they went beyond this, that, being very keenly alive to the necessity of sound finance in India, they thought that their objections, if strongly expressed and persisted in, should have a peculiar weight, and, though they did not say so in so many words, practically amount to a veto?—I gathered that from the replies they gave.

15,570. I mean that is what they aimed at, rather than that they ought to have a greater influence, as I thought you were saying, in the policy?—Well, that would give them a greater influence, would it not?

15,571. It would in one sense, but only from a financial point of view?—I mean that.

15,572. (*Mr. Courtney.*) On financial questions the Finance Minister ought to be the predominant partner?—But he is.

15,573. As against the Military Member?—Certainly. I have said that he checkmated me in several moves I wanted to make.

15,574. You think he has prevailed too much?—Well, I do not say that. I think from his own point of view he was quite right.

15,575. They think they do not prevail quite enough?—Exactly; they think so, whereas I know that I always had to give in.

15,576. It depends, you say, upon the character of the members on each side?—Very much so: you may judge of my opinion by the replies I have given to some of the previous questions which have been put to me.

15,577. Would it not also depend a good deal upon the view of policy of the Viceroy, who might be said to hold the balance between the two?—I think the Viceroy generally supported the Financial Member against the Military authorities.

15,578. And his support would be a very great element in the decision?—Very great.

15,579. And that, of course, refers back to the policy of the choice at home of the person to be sent out as Viceroy?—Decidedly.

15,580. (*Chairman.*) In fact, I gather, Lord Roberts, that you agree with both Lord Cromer and Lord Northbrook that you really come in grave matters to the question of the personality of the men?—Quite so.

15,581. I think that both Sir Auckland Colvin and Sir David Barbour explained to us that whenever the Viceroy was with them they needed nothing more; or rather let me put it in this way: when the Viceroy was of an economical turn of mind, they wanted nothing more; but the financial check was deficient when the Viceroy, with his great power, was, I will not say uneconomical, but had a tendency to think that a policy, perhaps an expensive policy, was indispensable?—Yes, but the Viceroy, in forming any opinion of that sort, would not, probably, go entirely by his own views. He would, of course, have the assistance of the views of the other Members of Council, of whom there are three civilian members, besides the Financial Member; and if he was supported by those three civilian members, and by the Military Member and also by the Commander-in-Chief, the Viceroy would have good reason for supposing that the policy he was advocating was the right one.

15,582. (*Mr. Courtney.*) You referred only to official members?—I had nothing to do with the others. I am talking of the Executive Council.

15,583. Not of the Legislative Council?—Not of the Legislative Council.

15,584. Should not a person have some regard to the opinions of the Legislative Council?—I have very little to say about the Legislative Council. I was hardly ever present at any meetings of the Legislative Council. They were generally held in the winter when I was away.

15,585. (*Chairman.*) I think our conversation has hitherto related simply to the Executive Council?—Entirely.

15,586. Which we look upon as equivalent to the Cabinet here?—Yes.

15,587. Now taking that last point on which you were giving us evidence, namely, that the Viceroy would consult with other members of the Council, and the weight that the opinion of the majority of them should have with him. Both Sir David Barbour and Sir Auckland Colvin seemed to think it a source of financial weakness that in the Council sufficient interest was not taken in finance, that Members of Council confined themselves to their duties as heads of departments and did not sufficiently consider, as I understood them, the effect which the policy of the different departments represented in the Council would have on finance. Here again Lord Cromer did not share these views. Would you give us the result of your observations on the question?—My experience and observations lead me to agree entirely with Lord Cromer, that there are no grounds for the belief of Sir Auckland Colvin and Sir David Barbour that Members of Council unduly press the requirements of their several departments, without sufficiently considering the effect which their demands would have on finance. As stated by Lord Northbrook (Q. 14,031) anyone connected with the Government of India is so strongly impressed with the difficulty of raising fresh taxes, that there is no Member of Council who would not give full weight to financial considerations.

15,588. That implies that the Members of Council are fully alive at all times to the difficulty and dangers that attend a deficit, accompanied with a possible necessity for increasing taxation?—Most certainly, and on this point the several members of Council with whom I was associated were all in accord.

15,589. And therefore, I take it, as your deliberate opinion, that you always found full weight given to the representations of the Financial Member?—I cannot remember any proposal for expenditure being urged, when the Viceroy and the Financial Member were opposed to it. Nor do I remember any expenditure being urged when the Finance Member alone gave good reasons why the money should not be granted.

15,590. For instance, in a case of expenditure the principle of which had been accepted, would there be willingness to spread that expenditure over a number of years, even at some inconvenience, in deference to the recommendation of the Finance Member?—Yes. And I am sure that Lords Dufferin and Lansdowne will bear me out when I say that, in deference to the representation of the Finance Member, scarcely a year passed without items, which I considered of importance to the efficiency of the Army, being altogether postponed or spread over a number of years. I always recognised that this was a necessity, and, from one cause or another, the budget had frequently to be reduced when the estimates came to be finally considered.

15,591. Then, admitting fully the supreme importance of sound finance in India, do you think the Finance Department is strong enough?—Yes, quite strong enough. I think that the Finance Department has the matter of expenditure pretty well in its own hands.

15,597. Supposing that the Viceroy agrees with the Military Authorities in what we may call a forward policy, is there any possible danger of sufficient attention not being paid to the warnings of the Finance Member? I am only putting it as a possibility?—I do not think so, for besides the Financial Member there are three civilian Members of Council, making four votes against three, who would not be likely to be influenced by the Viceroy and the Military Authorities, unless they shared their views as to the propriety of the forward policy. If they shared those views as opposed to the views of the Financial Member, they might reasonably be supposed to be in the right. It would not be wise to give the Financial Member the power to upset the forward policy because he alone does not approve of it. A forward policy does not necessarily mean undue expenditure. It may in the long run prove to be sound economy.

15,593. I am only putting the supposition with a view to obtain your opinion upon what I think was in the mind of Sir David Barbour, that in such a case as I have mentioned the Finance Member should be able to rely at all events upon the special consideration of the Secretary of State being given to the point?—As I have already explained, the Finance Member has in Council three other civilian Members who can back him up if they think it desirable. I would not interfere with the constitution of the Council by giving any one Member power to get the aid of the Secretary of State against the views of the other Members.

15,594. (*Sir Donald Stewart.*) But he has the power of recording a dissent on any question of that sort?—Of course, he can do that; he can record a dissent and his opinion would come before the Secretary of State.

15,595. (*Chairman.*) Yes; but the power of recording a dissent is a formal method of proceeding. It means putting on paper things which might hereafter be published; Sir David Barbour had in his mind whether in such a case the Secretary of State should not exercise extra vigilance on proposals for expenditure. That, I think, was what was in his mind?—Well, I have said I do not think that any further power is necessary to the Financial Member. He has the option of recording his dissent, which dissent would necessarily come before the Secretary of State.

15,596. (*Sir Andrew Scoble.*) And he might have his opinions stated in the despatch which goes home to the Secretary of State on the subject?—Certainly; there is every opportunity to Members of Council to state their opinions, and bring them to the knowledge of the Secretary of State.

15,597-8 (*Chairman.*) You, at all events, see no reason whatever for, even in theory, establishing the idea of such an appeal to the Secretary of State?—No, I do not.

15,599. Do you consider that the Finance Member always received information of cases involving expenditure early enough to enable him to give his warning of financial results before the Government were irrevocably committed?—So far as I know, the Finance Member always received information of cases involving expenditure early enough to enable him to give his warning of financial results before the Government were irrevocably committed. Moreover, from my experience of the Government of India, no large measure is even initiated, and certainly never carried into effect, without the concurrence of the Secretary of State. He is made thoroughly acquainted with all the pros and cons, and, if he approves, it may reasonably be supposed that he has carefully considered the cost.

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15,600. Lord Cromer, without attaching importance to the necessity of giving the Financial Member more influence than he has at present, did allude to the fact that governments might commit themselves to a course of action very early in the stage of their discussions, and that, in those cases, before any formal report could be made to the Viceroy by the Financial Member, the Viceroy might be practically committed?—I do not quite understand. By the home authorities?

15,601. No; I mean that he might have committed himself to the policy?—I should think that most unlikely.

15,602. At all events, you do not know cases in which the Finance Member might feel that he had not been warned in time?—No; certainly not. I think the Viceroy would always consult the Finance Minister before committing himself to any line of policy.

15,603. And I suppose you would say the same of a number of questions which are not of such immediate urgency as that, I mean changes in organisation. The Finance Member would know of changes in army organisation, such as increased pay, in full time to be able to represent to the Viceroy their effect, and also in time for his views to be communicated to the Secretary of State, in case the Viceroy were against him?—Certainly; no change in army organisation would take place without a despatch going to the Secretary of State, which the Finance Member would either sign or record a dissent to.

15,604. Do you consider that we must expect a further gradual increase of expenditure on frontier military railways, such as marks the financial history of the last 10 or 12 years?—I think that very likely there will be perforce a further extension of railways on the north-west frontier of India. To what extent, or in what direction, must depend upon matters regarding which it would be difficult, if not impossible, to form any opinion.

15,605. That is to say, you do not think that the scheme of military defence on the north-west frontier is yet completed?—No, I am afraid not.

15,606. We have been struck by the increase of late years in the number of frontier expeditions which now seem to occur yearly. Must we look upon expeditions of this kind henceforth as a constantly recurring head of expenditure?—I am glad that this question has been put to me, because I think that the Royal Commission are under a misapprehension as to the number of frontier expeditions having increased of late years. I have no doubt of being able to satisfy you, my Lord, and the other members, that the contrary is the case, and that there have been unusually few frontier expeditions of late years. I hope, too, to be able to show that in each case the expedition was declared necessary by the Government responsible for the security of the frontier, and that in no single instance was an expedition initiated by the military authorities. I desire to lay stress on this fact, because I gather from some of the questions put to witnesses that these expeditions are supposed to have been undertaken, more or less, at the instigation of the military authorities.

In order to place the Royal Commission in possession of all the circumstances on which I base my statement, it is necessary to go back to the time when we first occupied the Punjab; we shall then see that during the first 40 years of our contact with the tribesmen expeditions were more frequent, that our relations with the tribesmen were more unsatisfactory than they are at present, and that the system of resultless reprisals which then obtained was most unprofitable.

It is not, perhaps, generally known that throughout those 40 years the troops which were employed on the frontier were under the direct orders of the Provincial

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Government, and altogether independent of the Commander-in-Chief, who on only one occasion was even referred to, so far as I am aware, when an expedition was about to take place, and who did his best to prevent that expedition being undertaken, because he considered the season unfavourable, and the force inadequate for the service it had to perform. I allude to Sir Hugh Rose and the Umbeyla Expedition in 1863.

15,607. (*Mr. Courtney.*) What were those 40 years before you go further?—1849 to 1889.

During the greater part of the time I have mentioned, the policy in favour was to keep to ourselves, and to interfere as little as possible with the peoples living across the border; nevertheless, scarcely a year passed without one or more of the tribes being blockaded, and no less than 35 expeditions were carried on between 1849 and 1878, 20 of which were considered of sufficient importance to deserve a medal.

In 1878 the Afghan war commenced, and lasted until the end of 1880, and all border expeditions during those years were included in the general account of that campaign.

For the next four years there was a comparative lull; still three expeditions took place, one in 1881, another in 1883, and a third in 1884.

Now, during the first five years of my command, from 1885 to 1890, there was only one expedition, that against the Black Mountain tribes in 1888, to avenge the murder of two British officers. We then, contrary to what I thought wise, hurried out of the country, as had been the custom on former occasions, without making the tribesmen feel our power, and the consequence was that a second expedition had to be sent against the same people in 1891.

It was found necessary in the same year to send troops against the tribes on the Kohat border on account of a long series of raids and depredations committed in our territory.

On both these latter occasions the work was thoroughly carried out, and we remained long enough to convince the tribesmen that opposition was useless, that we were determined to have peace and order in our immediate neighbourhood, and that it was to their advantage to be on good terms with us, with the result that six years have passed since then, and there has been no further trouble with these same tribes.

I beg it may be clearly understood that I had nothing whatever to say to the initiation of these three expeditions. They were proposed by the Provincial Government, and I knew nothing of them until my opinion was asked as to the strength and composition of the force necessary to attain the desired object. Each time I advocated a column being sent sufficiently powerful to overcome all opposition, and I strongly urged that the practice of rushing across the border, burning a few villages, and then scuttling out of the country, should be discontinued.

On each occasion the question of the expedition was discussed in Council, and in no instance, so far as I can remember, was a dissent expressed by the Financial or any other Member of Council.

15,608. (*Chairman.*) The point on which I based my question was this, that we have before us a return which shows that, taking a certain number of recent years, there have been several expeditions yearly?—I do not think that is the case.

(*Chairman.*) It is in Sir Donald Macfarlane's return.

15,609. (*Sir Andrew Scoble.*) I think, Lord Roberts, in your answer just now, you confined yourself to the north-west frontier?—Yes. Entirely to the north-west frontier. I was not alluding to Burmah.

15,610. You did not include Manipur, or the operations on the Burmah frontier?—I did not, because I thought that the questions put to those who gave their evidence before me, referred to expeditions on the north-west frontier. General Brackenbury, when speaking of a "bunch of operations" in 1890–94, certainly alluded to that part of the Empire.

15,611–3. (*Chairman.*) If you look in that return at what are named "Smaller expeditions and Field operations" from 1875 to 1884–5 you may say the expenditure under that head is *nil*?—Well, there is a good deal in 1885, I see.

15,614–6. From 1884–5 forward you see that expeditions form a considerable item of expenditure—I think if you exclude Burmah, and take the north-western frontier, you find that there was very little in 1886–7. There was nothing in 1887–8. There was a very small sum in that year for Sikkim, which is a different part of the frontier altogether. That was a political question which arose about Thibet, I think. In 1888–9 there was Hazara, 121,000; Lushai, 49,000; Sikkim, 204,000.

15,617. That is 370,000?—Well, but the only one of those that had anything to do with the north-west frontier was 121,000 for Hazara; Sikkim and Lushai—that is the eastern part of Bengal—are different questions altogether.

15,618. But still, they form part of this question of expeditions, upon which I was asking a question?—I do not think so, quite. The allusions made by the Financial Members and Sir Henry Brackenbury all referred to the north-west frontier.

15,619–21. My question is put in rather a more general form. Our attention has been called to this return, and to the fact which I think you will see there, that, if you take the years 1888–9 forward, there are considerable sums, sufficient to derange the Budget, occurring almost every year; and I was anxious to ask you whether from your experience you thought that that was likely to be, from circumstances no doubt, beyond the control of the Government of India, a constantly recurring source of expenditure. To have the sum of 400,000, or more, added every year to your Budget is a serious financial question?—Excluding Burmah, I see in 1888–9 there were expeditions in Hazara, Lushai, and the Chin Hills—the Chin Hills form part of Burmah, and the Lushai expedition was for the protection of some tea gardens situated on the north-east frontier of Bengal. I suppose there will always be a certain amount of frontier disturbances as tea and other industries are pushed forward, and our people come into contact with tribes that have not been met with before. Then Sikkim; I think that was with reference to trade differences with the Thibetans. That will not occur again, as far as I know; I think we have settled it. If you take the next year, 1889–90, you see there was the same thing in Lushai, 300,000, and Sikkim, 66,000. There was nothing at all on the north-west frontier in that year, nor was there the year before or the year before that. Then, in 1890–1, there was 52,000 for Hazara and Miranzai, the two expeditions I have been talking about; one against the Black Mountain tribes and the other on the Kohat border; and the same in 1892. But, as far as I know, on those parts of the frontier matters have settled down. For six years there has not been a shot fired in these two places, and I hope there will be no more. It is not always easy to predict, but I think there is less chance of trouble on the north-west frontier of India now than there was formerly, so far as the tribesmen are concerned.

15,622. That was what I wanted to obtain from you?—A great deal less chance.

15,623. Looking at it as a Budget question?—As a Budget question the whole frontier from Afghanistan to Burmah must be taken into account. It is rather a wide area.

15,624. What I want to get your opinion upon is, whether the policy which is now being pursued is one which is likely to prevent frontier expeditions being necessary, or whether for one reason or another we are likely to have such items as these constantly recurring in the future?—I think the policy now being pursued of making the tribesmen feel our power, bringing home to them that opposition on their part is useless, and that we are determined to have peace and order along the whole border, will prevent frontier expeditions being necessary both on the Eastern Bengal and the north-western frontiers.

15,625. (*Mr. Courtney.*) Would you say as much for Burmah?—Expeditions on the Burmah frontier have, of course, been necessary, but the country is apparently settling down very rapidly.

15,626. And you would not say that a prudent financier ought to look forward to an annual charge, an average charge?—I hope not. I say we are settling the country, both on the north-east and north-west frontiers, and becoming more friendly with the people. I think there is much less chance of expeditions now.

15,627. I suppose that hope has been expressed and felt before?—No doubt it has; but the facts I have stated show, I think, that there is hope for the future. Since 1890–1 there has not been a single shot fired

against the Black Mountain tribes on the Kohat border, nor, I believe, has there been in Lushai, on the frontier of Eastern Bengal.

15,628. (*Chairman.*) Passing now to apportionment, you are aware that the rates which India should pay for the home charges of the Queen's regiments serving in India have been long under discussion?—Yes, I am aware.

15,629. Under a compromise recommended by a committee, over which Lord Northbrook presided, India now pays in respect of those charges a capitation rate of 7*l.* 10*s.* per each effective man of the line regiments on the Indian establishment?—Yes.

15,630-2. Sir Henry Waterfield, in a memorandum which, on behalf of the Indian Government, he laid before the Commission, stated that it was not desired, on the part of the India Office, to re-open the calculations upon which the rate of 7*l.* 10*s.* was arrived at by the Northbrook Committee; but he added that there are general principles of great importance to which they desired to invite the attention of the Commission, as militating against the equity of a merely arithmetical revision of the charges. I will mention these general principles in order to obtain your Lordship's opinion upon them. In the first place the Indian Government do not think it politic or just to lay upon the revenues of India the entire cost of an organisation for furnishing recruits to that country, which experience has shown to be far beyond what is needed for that particular purpose. On the other hand, Sir Ralph Knox has given the reasons of the Imperial Government for holding that that organisation is not beyond what is required, contesting the argument of the Indian Government, that its cost is much in excess of the cost of the old East Indian recruiting establishments at Warley. What is your opinion?—It is very difficult, I think, to draw any comparison between the system by which recruits are turned out now for the different branches of Her Majesty's service and that which prevailed in the days of the East India Company. Leaving out of calculation the age and physique of the recruits, the men now sent to India are very different from those landed there before the amalgamation of the two services. That is to say, the present men are assumed to be trained soldiers, whereas formerly they were raw recruits. The cost of the better article must of course be paid for, and I assume that India is not called upon to pay more than Her Majesty's Treasury would pay for men similarly trained for regiments, battalions, and batteries at home or in the colonies. That is 7*l.* 10*s.* per man.

15,633. Of course, at the present moment, a soldier is a more expensive article to turn out than he was in the days of Warley, is he not?—Certainly.

15,634. The India Office considers that short service has imposed a heavy additional charge on India for transport, although Lord Cardwell expressed his conviction that the system would not entail any additional charge on India. The India Office memorandum does not furnish figures by which to support this statement. On the other hand, Sir Ralph Knox has laid before the Commission figures to show that the short service system has caused a saving to India, after allowing for the fall in passage charges. You are aware that the sums paid for conveying soldiers now are per man much less than they were?—Yes.

15,635. And, eliminating that decrease so as to understand fairly what the increased charge of freight is, still Sir Ralph Knox shows a saving?—I do not think that the question of rates can be taken into account when considering the point at issue, because, whether the men are long or short service, the cost of transport would be the same; but I think it is impossible to dispute that the frequent relief caused by short service does impose an additional burden upon India.

15,636. That, I think, is admitted so far, but, on the other hand, Sir Ralph Knox's figures went to show that on the whole India had saved by the short service system?—Well, then, on the other hand, India loses by the exchange. I do not think you can take into consideration what India has saved by the rates being less than formerly. India loses tremendously by the rate of exchange being lowered. In former days, when the transport rate was high, the rate of exchange was very favourable to India. Now, when the transport is low, the rate of exchange is very unfavourable.

15,637. I was putting it much more generally than that. The argument, as I understand it, is this: The India Office point out that Lord Cardwell expressed his conviction that the system of short service would not entail any additional charge upon India and they say this: "It has entailed an additional charge upon India in respect of the transport of troops." Sir Ralph Knox, in replying to that, takes the whole effect of the short service system, and has put before us figures to show that the effect of the short service system, increased transport and all, has been a net saving to India?—Yes, but I do not think that is quite a fair way of putting it as regards India, because the transport rates might rise to-morrow. A short service system must undoubtedly entail greater expense to India than a longer service. If a man stays only five years in India, instead of seven or eight years, more men must go backwards and forwards.

15,638. (*Sir Ralph Knox.*) That is to say, as regards transport and the number of men who have to be shipped there must be an additional charge against India?—Yes.

15,639. That is what you claim?—Yes, that is what I claim; the rates must be left out of the question.

15,640. I think that is admitted; but, on the other hand, the great result, the principal result of the short service system is, that you are relieved, or you will be relieved, of a very heavy charge for pensions?—I admit that, of course, but that was not the question put to me.

15,641. (*Chairman.*) I beg your pardon. You misunderstood my question. I wanted to put it as broadly as possible to you, and I would just venture to repeat that the India Office memorandum states that, although Lord Cardwell expressed his conviction that the system would not entail any additional charge upon India, it had imposed an additional charge under the heading of transport; but that is not altogether a complete way of putting the question, because Lord Cardwell's statement was that the system of short service would not entail any additional charge; and it is in proof of that that Sir Ralph Knox brought a number of figures together, showing a saving on pensions and on various other items on the one side, and the increase of transport on the other, with the net result that short service has been a saving rather than an increase of expense to India; would you contest that?—Well, that is very difficult to answer without having all the figures before me; but I think, looking at it from a general point of view, that the more soldiers that have to travel backwards and forwards, the greater the cost will be to India.

15,642. That, I think, is admitted?—What the result would be as regards pensions it is very difficult to answer without having all the figures before one. Probably Sir Ralph Knox is quite right. I would not wish to discuss that.

15,643. (*Mr. Courtney.*) But it is clear the difference of cost of transport per man ought not to be taken into account?—I think not; that is a variable quantity.

15,644-5. And you ought to compare what would be the cost now under the short service system, and the cost now of the old long service system?—Exactly; at the same rate of transport.

15,646. (*Chairman.*) The India Office suggest that the principal advantage of the short service system is that it enables the battalions at home to be varied from a low peace establishment to full field strength; but that this advantage is not shared by India, where the battalions are always kept at full strength. Do you attach importance to this contention?—I think the reason advanced by the India Office is sound.

15,647. But is not the reserve in question a reserve for all emergencies; and, if India in emergency demanded assistance, would it not be afforded by means of these reserves? England, in that case, could not part with the low peace establishment. She would have to call in reserves, and practically, therefore, reinforcements would be furnished to India by means of the said reserves?—India cannot, I think, be called upon in fairness to pay for a reserve maintained for the purpose of raising regiments (which are not fit for service) in England to full field strength. India pays full price for what she gets, but is not concerned in the source of supply, which is purely an Imperial question.

15,648-9. But you would admit that it is important that, if India were suddenly to want troops, she should be able to get them?—Certainly, but the question of

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the reserves does not concern India. You ask India to pay for the reserve.

15,650. Yes?—I said I did not think she ought to be called upon to pay, in fairness, for the reserve.

15,651. The India Office contention is, as I understand it, that the reserve that the short service creates, which is a great advantage to England, is no advantage to India, because the Indian battalions are kept at full strength: but I say that, supposing an emergency arose and British troops were required in India, the only way in which England could supply them, and at the same time retain a sufficient number in this country, would be by calling up the reserves, would it not? In that case is not India interested in there being trained men at home, who can be called up and enable England to send out troops to assist India in an emergency, and to that extent is not India interested in these reserves?—India is certainly not interested to the same extent as England is, because it is very seldom that the reserves would be called out when regiments have to be sent to India, very seldom, I think, indeed; but they would have to be called out, I understand, in the event of any expeditionary force being despatched from this country. Troops in any numbers have rarely been sent to India; only once, I think, during the Mutiny time. For the Afghan war very few battalions were sent to India, and there was no necessity then for calling out the reserves. The regiments went in the ordinary course of relief, and the regiments that would have been relieved, remained in India. That is the only assistance that India received, so I do not think that she can be said to have the same interest as England in the matter of the reserves.

15,652. I did not venture to put it that she had the same interest, but still she would be interested?—In a modified form.

15,653. In the case of a very great emergency arising, it would be a considerable interest?—A very great emergency, yes.

15,654. Is it quite a correct statement of the case to say that the principal advantage of short service is the reserve? How far did the very largely increased demand of India for recruits, in order to maintain the established strength of the large European force now kept there, make a change of system necessary?—No doubt the greater number of men required yearly by the Imperial Government, when it was called upon to keep up an army in India, added to the difficulties of recruiting; but I have always understood that the primary object of short service was to form a reserve.

15,655. Do you think that we could have got the necessary number of men that we now require yearly under the old system?—I must accept, of course, what the recruiting people say: "We could not," they say. I have had no experience myself of it.

15,656. If India, in the case of emergency, asks for extra troops from home, and is required to pay home charges for those troops, ought England to pay in like manner home charges of Native troops, if in emergency she borrows them from India; that is to say, in this respect, ought there to be reciprocity?—I am strongly of opinion that there should be reciprocity, in so far that England should pay all ordinary, as well as extraordinary, expenses of the troops borrowed from India for Imperial purposes, just as India pays all ordinary, as well as extraordinary, expenses of troops borrowed from England. India pays, moreover, I believe, on such occasions all home charges, that is to say, 7*l.* 10*s.* per man; I do not enter into this part of the question except to show that, under the reciprocity I propose, India would pay more than England, for up to the present nothing has been laid down as to what the home charges of a Native soldier amount to. I feel sure that this reciprocity would be the most satisfactory arrangement that could be made, and would prevent the heart-burning and much-to-be-regretted correspondence which take place whenever India is called upon to provide troops for Imperial purposes.

15,657. That is to say, upon that somewhat limited point of the home charges, you think that there ought to be distinct reciprocity; and that, if England borrows troops, she ought to pay exactly in the same way for the Indian troops that she borrows as India pays for the English troops that she borrows?—I think the same rule should hold good for both. Of course, India would pay, in addition to all the extraordinary charges, the 7*l.* 10*s.* per man for their previous training.

15,658. And should any corresponding charge be made by India?—I do not think India expects that. That question, at all events, has never been raised.

15,659. (*Mr. Courtney.*) But you think she would be entitled to more?—No, I say that England should pay for troops borrowed from India the ordinary and extraordinary charges in the same way that India pays now to England for troops borrowed from England. As I have said, India pays in addition 7*l.* 10*s.* per man. I am inclined to think, however, that India would not raise the question as to the training charge of her soldiers, and would be satisfied if England paid the ordinary and extraordinary charges when she employs Indian troops out of India.

(*Mr. Courtney.*) But do you not think that when they borrow troops from India, the Home Government ought to pay something in addition?

15,660. (*Sir Donald Stewart.*) On account of training?—No charge has hitherto been made for training.

(*Sir Donald Stewart.*) We could make up a bill on that account.

15,661. (*Mr. Courtney.*) You have not calculated it out; but there must be a charge?—There must be a charge, of course, but, if you let that charge alone and England paid ordinary and extraordinary charges, I think India would be satisfied.

15,662. (*Chairman.*) I shall have to ask you a question soon upon the evidence, which, as I have no doubt you saw, Lord Northbrook gave on the subject of the employment of Indian troops?—I have.

15.663. I have so far confined myself to the limited view that, if India pays home charges on the British regiments that she employs, England ought to pay home charges on Native troops when she employs them?—Yes, quite so.

15,664. Do you attach importance to the argument that India affords the best training ground for the British Army during peace, as a ground for reducing the home charges of British regiments in India?—I think that everyone who has served in India of late years must admit that it affords by far the best training ground for troops, and this fact should not be lost sight of when the apportionment of charges between England and India has to be considered. I doubt if any country is so peculiarly well adapted for training troops as India is. At all large centres ground can be found where artillery can conveniently carry on practice with the present far-reaching guns. In the immediate neighbourhood of nearly every station, in some places at the very door of the barracks, ranges exist where soldiers can practice with their rifles at any leisure moment. Vast tracts of ground are available for manœuvres on an extended scale, and owing to the amount of transport obliged to be always kept up, these manœuvres can be carried on as nearly as possible, on service conditions. Then the general state of readiness for taking the field at a moment's notice, which is the normal condition of troops in India, renders that country an admirable school of instruction for the Queen's troops serving in India, and does not in any way cause them to imbibe false notions of what active service in Europe is like. The lives of British soldiers in India are too valuable to be risked to no purpose, and it would be the height of folly to require them to perform such offices as cooking when Native labour is cheap. The men are taught to cook, and can look after themselves and their officers when occasion requires, and the fact that life in India is more luxurious than in more temperate climates, does not in any way detract from military efficiency, or make troops less fitted for war in other parts of the world. I think it has been proved that British soldiers from India who have taken part in campaigns in Egypt and South Africa were quite as well able to look after themselves as were their comrades who came direct from England; and as regards efficiency they were, to say the least of them, not inferior. There is another advantage, too, which India possesses, and that is, that officers, especially young officers, are oftener placed in positions of responsibility then they are in the United Kingdom. This is especially the case as regards Royal Engineers, but it holds good also with all the branches, and only those who know from experience how heavily responsibility weighs upon men when they suddenly find themselves in positions of difficulty can, appreciate the value of this kind of training. The fact is, that from a training point of view, India is a very great strength to the army of the United Kingdom.

15,665. Would you agree that England and India are partners, and that India may be expected to pay the charge for her own defence?—Yes, most certainly.

15,666. (*Mr. Courtney.*) Do you deduce any practical conclusion from the answer which you made just now?—I think it should be taken into consideration in the apportionment. What I said was this: "This fact "ought not to be lost sight of when the apportionment "of charges between England and India have to be "considered."

15,667. You would not venture to define how it should be taken into account?—I could do so. I do not think I could say roughly now what it ought to be.

15,668. (*Mr. Caine.*) You think it could be fairly assessed?—I think so.

15,669. (*Chairman.*) You understand, Lord Roberts, I am taking you through these points to which the Indian Government has specially called the attention of this Commission?—I understand.

15,670. And on each of these we are anxious to get your opinion, with your immense experience in India?—I quite understand.

15,671. With the progress of military science the cost of efficient defence has become more expensive in every country. In consequence many changes have taken place in army organisation, increasing the cost of the defensive force to the taxpayer. Does it not follow that India, like other countries, must bear her share of the cost of such changes in organisation?—Yes, I think so.

15,672. Do you consider that the abolition of purchase tended to make the Army more efficient?—On the whole, yes.

15,673. But the abolition of purchase necessarily entailed an increase in the charge for pensions to officers; and must not India bear her share in the cost of this improvement in organisation?—India had no concern or voice in the abolition of purchase; but as the measure is admitted to be an improvement in the organisation of the Army, India should, in my opinion, bear her share of the cost.

15,674. I think it is pretty generally understood that no charge has been placed upon India arising out of the absolute carrying out of the abolition of purchase, that is to say, the compensation of officers?—No, I believe not. I understand that the charge to India arose in regard to the pensions—from the carrying out in the future of the policy.

15,675. In carrying out this and other changes in organisation, do you consider that India has been unfairly treated, and is it your opinion that she has not been sufficiently consulted in the discussion and carrying out of these changes?—I think that India has been unfairly treated, inasmuch as I believe that in many instances changes have been made in army organisation which have entailed considerable expense to India, without the Government of that country having been consulted.

15,676. We have had some difficulty in obtaining full information upon that point. A table has been put before us of the occasions on which India has not been consulted; but some confusion took place in this way, that I think the Government in India mentioned cases in which they had not been consulted, but in which it appeared that the War Office had consulted the India Office?—Yes.

15,677. I suppose in such cases you would agree that the War Office, for instance, or the Imperial Government can only consult the India Office; and, when it has consulted the India Office, it has consulted the Government of India?—I think that in a case of that kind the India Office should consult India. Of course, no blame can attach to the War Office if the India Office has been consulted.

15,678. That is a question between the Secretary of State and the Government of India?—Entirely.

15,679. So that it does not reflect upon the War Office?—No.

15,680. (*Mr. Courtney.*) Can you indicate any loss which has actually occurred in consequence of the consultation not having been carried further?—Take the organisation of my own regiment, the Artillery; it has been changed twice since the amalgamation, and I am not sure that India was consulted. Second captains were formed; then the second captains were done away with and majors were formed. It had to be done, and it was believed to be the best thing for the Artillery, and India had to accept it; but I do not know that she was ever consulted. The organisation of the Medical Department has also been changed, but I do not think that India was consulted about that.

15,681. And you are not sure that, if India had been consulted, there would have been any modification?—I do not think there would have been.

15,682. Then it is a question of proper respect, rather?—I certainly think that, as the changes increased the estimates and India had to bear the cost, she should have been consulted.

15,683–4. (*Sir Donald Stewart.*) In the case of the Artillery, I think the Government of India for a considerable time absolutely refused to accept the change, and would not pay for it?—I do not think they were consulted until it was settled.

15,685. They eventually gave way?—I am afraid they must always do so.

15,686. (*Chairman.*) That shows which is the predominant partner?—Yes. There is no doubt about that.

15,687. But we have had assurance on the part of the War Office that there is every intention to consult India upon those cases, and they admit fully that, if on any occasions she has not been consulted, it was an omission on their part; but I think the belief of the War Office is that, if the cases were really examined, it would be found that there would be very few cases upon which they have omitted to consult India?—I cannot say.

(*Sir Ralph Knox.*) That is, upon which they have omitted to make reference to the Secretary of State.

(*Chairman.*) Quite so.

15,688. (*Mr. Buchanan.*) In this memorandum, prepared by the Government of India, it is expressly stated that in some cases the Secretary of State was not consulted?—I, too, thought that was the case.

15,689. (*Chairman.*) You have seen Lord Wolseley's and Sir Henry Brackenbury's evidence; are there any points on which you would wish to supplement the views which they laid before the Commission?—Not especially; I think perhaps that I have a higher opinion of the capabilities of the Army in India than Lord Wolseley expresses. I consider it a remarkably efficient army, and, composed of a certain proportion of British and Native troops, I think that the Army in India might be depended upon to assist the Imperial Government in many places out of India, even in Europe.

15,690. You are aware that there has been much discussion on the terms on which India has been asked to lend forces in the case of expeditions outside of India; would you desire to see some definite understanding between the two Governments upon those terms?—It would, I think, be better to have some definite understanding on this subject, for, in cases that have occurred, India's interests have not always been sufficiently considered.

15,691. Have you seen Lord Northbrook's suggestion on this point? How far would you agree with him?—I would come to a definite understanding with India as regards general principles, but in matters which cannot be determined beforehand, such as the extent to which India and England may be directly or indirectly interested in the operations to be carried on, I approve of Lord Northbrook's suggestion to refer to arbitration, provided the decision is placed in the hands of some high judicial authority having no official connexion with England or India. I would not have a board composed of War Office and India Office officials.

15,692. (*Mr. Courtney.*) What do you mean by "judicial authority"? Somebody connected with the organisation of the Courts of Justice?—A judge.

15,693. You mean a member of the Court of Judicature?—Yes.

15,694. (*Sir Ralph Knox.*) Is it in any way a question of law?—It is a question for a man who has no bias one way or the other, who would come with a free mind altogether on the subject.

15,695–6. (*Chairman.*) I think Lord Northbrook divided his recommendations, or his suggestions, under two heads; first of all, he took those cases in which policy is concerned, in which the English Government, or the Indian Government, may desire to borrow troops. I think on a question of policy he saw difficulty

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in referring the question to any authority outside the two Governments; and he suggested that, where India lends the troops, India should not be put to any charge on their account, except with the consent of the Indian Government; but on the understanding that the Indian Government was to agree to contribute to the cost if Indian interests were concerned?—Yes.

15,697. Thereupon arises the question of what are Indian interests; and he thought, as I understood, that it might be possible for the two Governments to agree upon some general definitions of what are Indian interests, and that these definitions might be embodied in a Treasury Minute: that the definition laid down in that Treasury Minute should be the guide to the Government of India in determining whether an Indian interest was concerned: and, taking one obvious case, he pointed out that an Indian interest would be the Suez Canal, that Indian interests would be involved in any expedition in defence of or affecting the Suez Canal. It was on that point that I wanted, first of all, to know whether you would agree with him?—Yes; I agree generally with Lord Northbrook. Only I think that as regards general principles it would be better to come to some understanding beforehand that, so far as is compatible with the safety of the two countries, each should at once give troops if they were wanted; that India should provide England with such troops as she could spare for any purpose and to go anywhere; and that the payment—the ordinary payment, as well as the extraordinary—should be found by England. Then any question as to what particular interest India might have in the locality or in the sphere of the operations, which could not be settled between the two Secretaries of State, should be referred to an independent arbitrator.

15,698. No; I do not think that Lord Northbrook meant to refer to arbitration this question with regard to the payment by India of any contribution towards the cost of such troops as England might borrow?—I mean the question as to what interest India might or might not have in the country.

15,699. I do not think he meant to leave that question to the judge. The idea of a reference to judicial authority he confined entirely to those cases in which there was a dispute between the two Governments on what I call administrative charges, such as the capitation rate, the amount which should be paid for the force of English ships stationed on the Indian coast, how far and to what extent India should contribute to the consulates in China. Those are the questions, which I call administrative questions, upon which Lord Northbrook thought that a reference might be made to a person of judicial standing; and I think he took exactly the ground which your Lordship has taken, namely, that the reference should be to a person who would weigh evidence without bias to one side or the other, whose decision therefore would be more satisfactory than arbitration by any leading politician, because the leading politician might be thought to have a bias one way or the other?—That is quite my idea.

15,700. (*Sir Andrew Scoble.*) Am I to understand, Lord Roberts, that you have a particular predilection for a judge, or that you would take any person upon whose independence of judgment you could rely?—I thought that judges were peculiarly educated to deal with questions in an unbiassed and judicial form, and that, therefore, they would be more suitable, perhaps, for the difficult task they would have to undertake; but I should be very happy to put the arbitration into the hands of any person who would be an impartial judge.

15,701. You mention a judge as a person who would be likely to be impartial?—Well, a judge's training would, I imagine, enable him to deal with questions more on their intrinsic worth, without any feeling for one person or another person.

15,702. With regard to another question the Chairman put to you as to a definition of Indian interests, do you think there could be any exact definition of Indian interests? or in your opinion would they be likely to vary from time to time according to circumstances?—They would vary from time to time. We ought, as I have said, to come to some understanding as regards general principles. The question as to whether the cost of a particular expedition should be borne by one or the other country, or what share should be borne by each, must depend on circumstances.

15,703. (*Sir Ralph Knox.*) There has been considerable variety in the method of charging India in the matter of these expeditions, has there not? For instance, in some cases (I do not know whether there is more than one) India has paid the whole cost of the troops that have left her shores, both ordinary and extraordinary expenditure. In other cases India has paid half. In other cases India has merely paid the ordinary charges, that is to say, continued to bear upon her accounts the ordinary pay of the troops lent, and has borne no portion whatever of the extraordinary charges. There has, therefore, been considerable discrimination as to the interest of India in the various so-called expeditions that have left her shores. Is not that the case?—Yes.

15,704. That would denote that there has been considerable discrimination on the part of the home Government in its views as to the extent to which India should bear the charge?—I am not sure that India appreciated that discrimination.

(*Sir Ralph Knox.*) That I can quite understand.

15,705. (*Mr. Buchanan.*) It has always gone against India?—Always, I think.

15,706. (*Sir Ralph Knox.*) It has not gone against India, if there has been such a variation as from levying the whole charge to bearing only the ordinary charges?—I think India felt that she was not the predominant partner in the decision.

15,707. (*Mr. Buchanan.*) Lord Northbrook, too, expressed the opinion in his evidence that the decision had always gone against India?—Yes.

15,708. (*Chairman.*) It has been represented to us that the Imperial Government should bear a share of the charge of Aden. Have you formed any opinion on this point?—I think that England might reasonably bear a share of the charge of Aden, which cannot be said to be of value to India alone. It is of value as a coaling station for steamers trading to China, Japan, Australia, New Zealand, the Straits Settlements, Mauritius, and the East Coast of Africa. It is a place of Imperial importance, and will probably become even more so in the future than it is at present.

15,709. The chief value of Aden appears to lie in the control over the Suez Canal traffic, which it confers; and the Suez Canal traffic is, I think, generally admitted to of great importance to India. Is it not a fair apportionment between the two Governments that the Imperial Government should take the whole charge of Gibraltar, and Malta, and the Indian Government of Aden?—It seems to me that the idea of Gibraltar and Malta acting as a counterpoise to Aden is somewhat far-fetched. The two former were taken possession of by England for the maintenance of British supremacy in the Mediterranean a great many years before the overland route to India and the Suez Canal were ever thought of. Aden was not occupied until 1838; and I cannot see that England's paying for Gibraltar and Malta in any way lessens her responsibilities as regards Aden.

15,710. Gibraltar and Malta are important stations towards preserving our interests in the Suez Canal. are they not?—Of course.

15,711. And so far it is a fair subject for consideration, is it not, that, as England keeps these stations on her side of the Canal, India might keep hers on the other?—But England would have to keep those stations whether India existed or not, in all probability.

(*Chairman.*) In all probability.

15,712. (*Mr. Mowbray.*) And would not you also say that if India is interested in the Suez Canal, Australia and other countries that you have mentioned are also interested?—Certainly, the question of Aden is an Imperial question, not an Indian question alone.

15,713. (*Mr. Caine.*) Whereas Lord Wolseley thinks that no portion of the charges of Aden ought to be borne by the British Exchequer, do you not think that the whole charge of Aden ought to be borne upon the Imperial revenues, and that none of it ought to fall upon India?—I would not say that the whole charge of Aden should be borne by the Imperial Exchequer, because I look upon Aden as a sort of outpost of India.

15,714. How is it any more an outpost of India than it is an outpost of Australia or the Straits Settlements?—It is very much nearer to India than to the Straits Settlements or to Australia.

15,715. It is nearer. I do not know that that makes any difference?—To Australia it would not be very much further by long sea than it is by Aden. It is much further going to India by long sea than by Aden.

15,716. (*Sir Donald Stewart.*) Is not the population of Aden entirely Indian or Asiatic?—I think almost entirely Indian and Arabian. The shopkeepers are all Indian.

(*Mr. Caine.*) The population is either English troops or Arabs.

15,717. (*Chairman.*) The garrison of Aden is supplied from India, is it not?—Yes, from India.

15,718. Are you on the whole satisfied with the organisation of the Indian Army, or do you consider that in the present state of military science further changes are impending?—I think the present organisation of the Indian Army is on the whole satisfactory, and I do not know that any changes in that respect are impending; but, in order that it may continue efficient, it must keep pace with the times, and be equipped with any new guns or rifles that may be considered necessary for the home army. But I cannot say that I see any immediate expenditure necessary.

15,719. And therefore, so far, you would not give us to understand that we must expect any notable increase in the Indian Army estimates?—I think not.

15,720. Sir Henry Brackenbury has described the changes which have taken place within the last few years, and he seemed to think that there were some others of importance—of urgent importance. Would that be your view?—I read Sir Henry Brackenbury's evidence. I think that on the whole he stated the matter very fairly. There are always certain things in India that have to be done which could only be done by degrees, such as, for instance, water supply. That is a very important matter for the health of the troops, and there has been great difficulty in carrying out the many schemes of water supply that I and my predecessor and my successor have recommended, in consequence of the expense. The expense of providing pure drinking water will have to be incurred annually, until all the proposals have been carried out.

15,721. And then there is another very important question, is there not, of adding officers to the Native regiments?—I am entirely in favour of having a reserve of officers available to supplement the present establishment in case of war, but I would not advise more officers being attached permanently to Native regiments. There is no necessity for having more British officers with Native regiments in time of peace; they would not have enough to do, and they would interfere with the work, which Native officers are very advantageously required to perform. But in war more British officers are undoubtedly required.

15,722. Then you would not incur so much expenditure, as we understood Sir Henry Brackenbury would, in adding officers?—I rather think Sir Henry Brackenbury would add the officers at present. I do not go so far as that. I think a reserve of officers ought to be available to be attached to Native regiments in case of war, but I am satisfied that the present establishment of officers is sufficient in peace time.

15,723. (*Mr. Caine.*) How would you make that reserve?—That is not an easy question to answer.

15,724. (*Mr. Buchanan.*) That reserve, of course, would mean increase of expenditure?—To a certain extent it would, of course.

15,725. (*Chairman.*) But it is one of the military questions impending?—I think that the question how to augment the number of British officers with the Native regiments in the event of war must be considered.

15,726. (*Sir Ralph Knox.*) Would new officers, young men from home, be sufficient for that purpose—from Sandhurst, for instance, or from the Militia?—A very large number would be.

15,727. They would?—Yes.

15,728. That is to say, 50 or 100 officers drawn from Sandhurst or our Militia regiments would furnish the reserve which you think necessary?—A proportion of it. Fifty or even 100 officers would certainly not be enough, but I think that a sufficiently satisfactory reserve would probably be obtained by sending out an adequate number of young officers

15,729. (*Mr. Caine.*) Are you opposed to creating any portion of the reserve from Native sources?—I do not think that Native sources would furnish the kind of reserve that is wanted. The reserve (or augmentation perhaps more correctly expresses what is required) should consist entirely of British officers.

5,730. Supposing you created an Indian Sandhurst?—I should think it would be a great mistake.

15,731. (*Chairman.*) Looking over a considerable period of time, I suppose there are very few countries in which railway and telegraphic communication is being made so complete as in the immense area of India. Might we hope from that that any diminution of force might be possible in India?—I am not in favour of reducing the present establishment in India.

15,732. You think it is at a minimum?—I think so. It is sufficient for internal purposes and for the safety of the borders all round India, but it is not too large.

15,733. If you compare the present time with 1860, I suppose the power of moving troops now to any point where they are required must be treble or quadruple what it was then?—Yes, internally. On the other hand, a greater external danger has to be guarded against.

15,734. Because there is an equal facility of moving troops on the other side?—Yes.

15,735. I think you said that you had desired to pay more attention on the frontier to completing the means of communication than to increasing fortifications. Did I gather that?—When the defence scheme was first considered, I advocated the construction of frontier roads and railways in preference to fortifications.

15,736. But did you consider that, apart from communications, there will be required any large expenditure on fortifications?—No.

15,737. Or entrenched encampments?—No, I think that is pretty well finished.

15,738. Are there any other points on which you would like to say anything?—No.

15,739. (*Sir William Wedderburn.*) I should like to ask a question on the subject of the payment of troops borrowed between India and England. I understood you were of opinion that there should be reciprocity as regards the payment of the ordinary expenses of those troops?—Yes.

15,740. It would be equally reciprocity whether the ordinary expenses were in both cases paid, or whether in both cases they were not paid?—Well, that would depend, I think, upon whether England or India was likely to make the demand oftenest.

15,741. That is what I was coming to. It would equally be reciprocity in either way, whether neither paid or whether both paid?—Reciprocity; yes.

15,742. But, if both paid, that would be advantageous to England, because India borrows regularly, annually, and a very expensive force?—I was not alluding to the force ordinarily maintained in India, or to the reliefs necessary to keep up that force to its full strength. I was only alluding to cases when troops were specially required for one country or the other for certain expeditions. There is no question, I think, as to the payment of the ordinary troops that leave England to go to India in the course of relief. India of course pays that. On the other hand, Indian troops never come to England under any circumstances. They are only demanded by England for the purpose of expeditions.

15,743. (*Mr. Caine.*) You expressed some opinion about the military element in the Councils. Do you approve of the recent policy that has deprived the Councils of the Governors of Madras and Bombay of the military element?—I do. I was Commander-in-Chief in Madras for nearly four years, and I do not remember a single military case ever coming up that could be settled by the Madras Government.

15,744. And you think nothing could be gained by the re-establishment of the Military Member?—No, I do not think so.

15,745. I just wanted your opinion upon that. You spoke of the defence of the North-West frontier not being completed; and that certain necessary railway extensions are still required. Do you think that, when those necessary railway extensions are completed, finality will be reached in the permanent defences of the North-West frontier?—I think I said "may be required."

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15,746. Oh, may be required?—And I said that to what extent or in what direction, nobody could give an opinion.

15,747. Then you see no finality in the expenditure on the North-Western frontier?—I do not; but it is a question that depends on other people as much as on ourselves.

15,748. I should just like to ask you a little further upon that point of the employment of Indians as officers in the Native Army. I suppose we may take it for granted that all military authorities are agreed that the Indian portion of the Army requires strengthening in the matter of officers. Have you any reasons to give why some portion, at any rate, of that increase of strength should not be drawn from native sources?—I think there are enough native officers in the regiments as they are now.

15,749. Still, you were talking of creating a reserve, were you not? Your view is that a reserve should be created?—Yes, but I think that a reserve of Indian officers would not be of the same value as a reserve of British officers.

15,750. They would not have received the same training?—I do not think they possess the same capabilities for war.

15,751. But do you not think that, if they had the same advantages, you might produce better material in every way, a material that might be used for officers of the Indian Army?—Not to take the place of British officers.

15,752. Do you consider that the entire strength of the British portion of the Army in India is needed for the sole purpose of keeping that country in a state of peace?—It is not there for that sole purpose; it is required also to assist in the defence of 5,000 miles of frontier.

15,753. Would it be fair to say that the work of the Army in India might be divided into three sections; first, the maintenance of peace and order in India, secondly, matters circulating around the apprehension of Russia, and thirdly, frontier work, possible hostilities on the part of Afghanistan, and Indian frontier tribes?—Yes.

15,754. Then, would it be right to say that an appreciable portion of the military expenditure of India is incurred in consequence of our apprehension of Russia?—Yes; perhaps it would be to a certain extent.

15,755. Could you at all indicate to what extent?—I might refer to 1885, when Sir Donald Stewart was Commander-in-Chief, and when, in consequence of news of Russia's approaching, we increased the army by about 10,000 British, and 20,000 Native, troops.

15,756. Then (to put it in another way), if that apprehension were removed entirely, would you recommend any reduction in military expenditure?—I should like to see the apprehension removed first.

15,757. That would lead up to another question. If it were removed, would you remove those 10,000 men, for instance?—I do not know about that; that is a difficult question. I think that, if you could make perfectly certain of a peaceful Afghanistan, of no troubles arising on our North-Western frontier, and no encroachments on our North-East frontier, in the direction of Burmah, then a reduction in the British portion of the Army might be made.

15,758. But I want to ask you specifically on the apprehension of Russia?—No, I should not.

15,759. You would still maintain your present force, even if the apprehension of Russia were removed altogether?—Well; I cannot conceive its being removed. I am not prepared to give an answer to that.

15,760. You do not think it would be possible to indicate any portion of expenditure as incurred from the apprehension of Russia?—No, not beyond what, as I have said, did happen.

15,761. I should just like to ask you a little further on the matter of Aden; does Canada pay for our fortification, for the British garrison at Halifax, and Esquimault?—I cannot tell you; Sir Ralph Knox might.

(*Sir Ralph Knox.*) It pays for Esquimault.

(*Mr. Caine.*) It does bear some portion. You do not know what portion?

(*Sir Ralph Knox.*) No, I do not.

(*Mr. Caine.*) At Halifax, nothing.

(*Sir Ralph Knox*) Nothing.

15,762-3. (*Mr. Caine.*) Why ought Canada to be free of the cost of Halifax? It appears to me absurd to treat Aden as an integral portion of India, and India bear the whole of the burden of Aden or any portion of the burden of Aden?—I am afraid I cannot give any answer in regard to Canada, because I do not know what the arrangements are about it. I think that India is so far interested in Aden that it is quite reasonable that she should pay a share of the expense of the garrison of that place; and, I believe, when the defences of Aden were made, India paid half and England paid half. I thought that was quite reasonable, myself.

15,764. Why not divide the troops as well? Why should the troops be paid for entirely by India?—The troops belong to the Army of India, and are available for India. But, as I said before, I think England should pay a share.

15,765. A substantial share?—Yes. England paid half, as her share of the defences; she might pay half as her share of the garrison.

15,766. Has there not, by the way, been a considerable expenditure lately in the improvement of barracks for the benefit of the men by the establishment of recreation rooms and temperance recreation rooms?—There has not been a very considerable expense.

15,767. You believe it has been very profitable expenditure?—Yes, very profitable.

15,768. I think one third of the British Army in India are now total abstainers?—They were when I left; that is to say, nearly one third were abstainers; but what are called "Temperance men" were included in the number.

15,769. And you stimulated a good deal of useful expenditure in the barracks to encourage that movement?—Yes.

15,770. You once told me in Calcutta, in a private conversation, that that expenditure—I attach the success of the temperance movement to that expenditure—added two battalions of effective men to the Army of India?—Yes, I think it did. That is to say, crime was much less amongst the temperance men, and there were fewer men in prison.

15,771. And you thoroughly approve of any expenditure, either at home or abroad, I may say, in the encouragement of temperance in the Army?—I am greatly in favour of it. I have advocated that there should be a separate room for temperance men in all barracks.

15,772. (*Sir Donald Stewart.*) Referring to Mr. Caine's question as to how India could reduce her garrison; is it not a fact that the greater portion, or a very large portion, of the increase of the Army that was made in 1835 was absorbed by Burma?—Yes, by Burma.

15,773. And it would not be possible to reduce the existing garrison?—No.

15,774. (*Sir Ralph Knox.*) Do you think it would be possible to reduce the number of regiments of infantry in India, retaining the garrison, in its total numbers, the same as at present?—By increasing the strength of each battalion?

15,775. Yes?—I am opposed to reducing the number of battalions, because that means a reduction in the number of officers; and, owing to there being very few British officers with Native regiments, great difficulty is experienced in finding a sufficient number of officers for staff, transport, and other duties, whenever a force has to take the field.

15,776. Did you find in your military proposals which you thought it your duty to lay before the Council that you were able to carry the Military Member of Council with you generally?—I very often found the Military Member of Council against me on the score of economy.

15,777. As regards the interests of India in these expeditions which have taken place from time to time beyond her shores, can you conceive cases in which India's interest may be regarded as involved beyond the shores of India? The Suez Canal is the only such case that has been mentioned. Do you think India's

interests are involved elsewhere in the eastern portion of the world?—Do you refer to China.

15,778. In the East generally?—Well, indirectly; not directly, I think.

15,779. But indirectly you think India is interested in, say, Arabia and Persia, the east coast of Africa, and the Straits Settlements?—Persia, undoubtedly. Persia joins on to our western frontier.

15,780. But the east coast of Africa?—No, I do not think India has got much interest on the east coast of Africa.

15,781. Lord Northbrook suggested that the Cape might be an Indian interest?—Yes, it is so far an Indian interest that, in the event of the Suez Canal being shut up, we should look to the Cape as a coaling station for our troops going backwards and forwards.

15,782. But still, you think that indirectly India is interested in some of these expeditions that might take place beyond her shores?—That is rather a vague question. I certainly think that India has not much to do with the east coast of Africa. She has with Persia. In a lesser degree, a greatly lesser degree, with Arabia; and she has a certain interest in the Straits Settlements; I should not like to see them interfered with.

15,783. (*Mr. Courtney.*) Zanzibar?—No, I do not think so.

15,784. Is not the trade there in the hands of Indians?—Yes, the commerce to a certain extent; but I do not think, taking India as it is, it is interested.

15,785. (*Chairman.*) But is not Indian commerce a matter of interest to India?—But it is a matter more for England than for India; and I suspect that the commerce with Zanzibar and other places is chiefly carried on by Europeans and not by Indians.

15,786. I can only judge from consular reports, and as I am speaking from memory, I do not put this view forward with any confidence; but my reading of the consular reports is that the Indian element in Zanzibar is strong; in fact, that the trade is Indian?—I know Indian ships go there; they trade backwards and forwards there; and indirectly, perhaps, India may be interested in Zanzibar.

15,787. (*Mr. Courtney.*) Were you not looking rather to military considerations than to commerce when you talked of the external interests of India in those several countries?—I was looking to the peace of India generally, and also to its commerce. Persia is much nearer to India than Africa. Karachi, an important port, is no distance from the Persian Gulf.

15,788. But from a military point of view rather than the commercial?—More military, but I think also commercial.

15,789. In rejecting the suggestion of the interest of India in China you had in view the fact that there was on military interest?—Quite so.

15,790. But there are strong commercial interests?—Undoubtedly, and in consequence India has more than once taken part in expeditions against China.

15,791. Would there be any disadvantage, do you think, in occasionally drawing the Military Member of Council from the Civil Service?—I think, from the Commander-in-Chief's point of view, there would; for, although the Military Member deals with civil questions in Council, his work is chiefly military; and, as the Commander-in-Chief is frequently on tour for months at a time, it is desirable that a military man should always be available for Council.

15,792. The Secretary of State for War is almost never a military man?—True, but he has the military element very close by him at all times. The Commander-in-Chief in this country does not go on tour for months at a time as the Commander-in-Chief in India should do. I was very seldom in Council from the middle of October till March, when I always made a point of joining the Government to be present at the discussions on the Budget.

15,793. The personal communication between the Secretary of State and the officer commanding in chief must be interrupted a good part of the year at home?—I do not know whether that is the case, or not; but the Commander-in-Chief in England cannot be absent from the headquarters of the Government so often or so long as the Commander-in-Chief in India is obliged to be: and for this reason I think the Military Member of Council should be a soldier.

15,794. Would there be any disadvantage in having a civilian?—I think so, for the reason that there ought always to be a soldier in the Council.

15,795. It is thought to be an advantage here that the Secretary of State for War should not be a military man?—Yes, but I think India and England are very different. The Viceroy, I think, ought always to have at hand a military man, whom he could consult on any questions that might arise very suddenly.

15,796. With respect to Mr. Caine's question; if the duty in India were confined to what may be called the police purposes of keeping peace and order within the borders of India, might the army be put on an entirely different footing?—The British or Native?

15,797. Both?—I do not think so. The army is a very small army as it is. There are only 70,000 British troops and about 150,000 Native troops amongst 300 millions of people, scattered over an immense area. I should not like to see that army lessened or made less efficient.

15,798. Having regard simply to the police duty of keeping peace in India?—Yes, keeping the peace in India and on the frontiers of India.

15,799. And, descending to particulars, would you say that, if that were the sole duty of the English Army, it would be necessary to have the same proportion of British troops?—I would.

15,800-1. Since the period of the mutiny, say the last 32 years, have the demands made upon the Army for the purpose of keeping peace and order within the Indian frontier been such as to require that proportion of British troops?—The Army has not been employed entirely in keeping peace and order within the Indian frontiers during those years; there have been the Burma war and the Afghan war.

15,802. Yes, I am putting those wars aside. Have the demands made upon the Army for police purposes, for the purpose of keeping the peace within the Indian empire, been such as to require the existing proportion of British troops?—Yes, I think that proportion is the minimum that ought to be in India.

15,803. Would you refer to any demands that have been made?—I cannot specify any particular demands, but I know it is the feeling of those who are best acquainted with India, that there should not be any less proportion of British troops than there is at present.

15,804. Well, but did not they take external causes into their mind when they expressed that opinion?—No, not altogether that, because a committee, which was assembled after the Mutiny, gave it as their opinion that we ought never to have a less proportion of European to Native soldiers in the country; and I do not think that that proportion is exceeded now.

15,805. You say it was not altogether the external causes which fixed that proportion; but the external causes were taken into consideration when that proportion was laid down?—I do not think so.

15,806. Not at all?—I do not think so.

15,807. (*Mr. Caine.*) May I ask just one question which I forgot to ask. Do you think that without reducing the total number of British troops in India, it would be safe to rely upon Indians entirely for cavalry?—I have a very high opinion of Indian cavalry, and I think for certain purposes they are better than any other cavalry that I know of; but we have only nine regiments of British cavalry in India, and I would not reduce that number.

15,808. Not even if other British troops were substituted for them?—No, I think we want that number to act with our native cavalry; I think you require a certain proportion of both. The nine regiments now in India are not too many.

15,809. You think no saving can be effected in that direction?—I do not think so.

(The witness withdrew.)

Adjourned till Thursday the 11th instant at 11 a.m.

At the India Office, S.W.

THIRTY-EIGHTH DAY.

Thursday, 11th March 1897.

PRESENT:

THE LORD WELBY, G.C.B. (CHAIRMAN, PRESIDING).

The Right Hon. LEONARD COURTNEY, M.P.
Sir WILLIAM WEDDERBURN, Bart., M.P.
Field-Marshal Sir DONALD STEWART, Bart., G.C.B., G.C.S.I.
Sir RALPH KNOX, K.C.B.
Sir JAMES PEILE, K.C.S.I.
Sir ANDREW SCOBLE, K.C.S.I., Q.C., M.P.
Mr. T. R. BUCHANAN, M.P.
Mr. DADABHAI NAOROJI.
Mr. R. G. C. MOWBRAY.

Mr. COLIN G. CAMPBELL, *Secretary.*

The Most Hon. the Marquis of Lansdowne, K.G., &c

11 Mar. 1897.

The Most Honourable the Marquis of LANSDOWNE, K.G., G.C.S.I., G.C.M.G., G.C.I.E., Her Majesty's Secretary of State for War, called in and examined.

15,810. (*Chairman.*) Lord Lansdowne, will you tell us what posts you have held in India, or connected with India in this country or with the War Office?—I was Governor-General of India for five years, from 1888 to 1894, and I am now Secretary of State for War.

15,811. You have seen the evidence of Lord Northbrook, Lord Cromer, Sir David Barbour, and Sir Auckland Colvin?—I am aware of the general tenour of their evidence.

15,812. We have had a good deal of evidence on the powers and position of the Finance Member in India. Sir David Barbour and Sir Auckland Colvin thought that those powers were theoretically complete, but that in practice they were, to say the least, not so complete. Would you give us your opinion upon that point?—I think that both theoretically and practically the powers of the Finance Member are as complete as it is possible to make them.

15,813. They considered, I think, that the powers of the Finance Member varied with the attitude of the Viceroy, that if the Viceroy held economical views the Finance Member had nothing to desire, and that if, on the other hand, the Viceroy was not economical, the Finance Member's position was weak. Does that description represent fairly to you the position of the Finance Member?—I should be inclined to say that in no case was his position weak. The Finance Member must hold a strong position in the Viceroy's Council. The Member who controls the financial part of the administration must, I think, *ipso facto*, always exercise a potent influence in the counsels of the Viceroy. On the other hand, it is no doubt true that the personality of the Viceroy counts for a good deal, and that he could strengthen the position of the Finance Member by giving him a large measure of support.

15,814. Lord Northbrook and Lord Cromer admitted that the Finance Member is powerful, or not, according as he is supported, or not, by the Viceroy; but they considered that that is an inevitable condition of government in India. Lord Cromer did not seem to think that he wanted extra power—indeed, neither Lord Cromer nor Lord Northbrook thought so; they are opposed to Sir David Barbour and Sir Auckland Colvin upon that point. Perhaps I may take it from your last answer that you agree rather with Lord Northbrook and Lord Cromer?—Certainly. You cannot exclude the personal factor from the calculation; but I think that the view expressed by Lord Northbrook and Lord Cromer is a just one.

15,815. I think Lord Cromer summed up his opinion to the effect that the power of the man depends very much upon himself?—I think that is undoubtedly so.

15,816. Sir David Barbour and Sir Auckland Colvin thought that the Members of Council acted rather too much as heads of departments; they wished that the members generally could give more attention to the question of finance. Lord Cromer, I think, did not share this view. May I ask what is your experience of the working of the Council in that respect?—The Members of Council all have their departments to administer and to think of, and no doubt those departments make a great claim upon their time and attention. On the other hand, they certainly are not unmindful of financial considerations, and many of them, from their training and experience, are, I should say, able to deal very adequately and intelligently with the financial aspects of the matters which the Council has to dispose of.

15,817. Then, so far, your experience would not be that the members as a rule took a purely departmental view of the questions that came before them, but that they would take a general view of the financial effect of a measure, and of the consequences that financial effect might have upon the Government of India?—Oh, most certainly.

15,818. You would doubtless agree that in India finance is a subject of the first importance, and that peculiar danger may attend unsound finance there?—Certainly.

15,819. Would you say that the Council appreciated the gravity of that question, and that due weight was always given to the representations of the Finance Member?—I think so.

15,820. Sir Auckland Colvin thought that there had been a change in recent years, and that a more costly policy marked the period subsequent, say, to 1885. I understood him merely to state what he considered to be the facts of the case, not meaning thereby to imply that the policy was not right?—I think that comparisons of that sort would require to be made with very great care and discrimination. I do not feel able to state with confidence whether it is possible to say that there has been one period in which more liberal, or, if you like, extravagant views have prevailed, and other periods in which they have not; but I should say that, if there had been a tendency at one time more than another to liberal or too liberal expenditure, it was due, not so much to the peculiar character of the individuals concerned, as to the events which were passing at the time, and the conditions under which the Government of India was being carried on.

15,821. I am confining myself especially to facts; I think we all know that the tendency of modern government, wherever it is, is to increase of expenditure?—Yes.

15,822. The object of my question is to learn whether you are of opinion that that increase, which I think is patent on the figures, and to which Sir Auckland Colvin alluded, must be looked upon as a natural consequence of a changing order of things?—To a great extent it is a natural consequence.

15,823. Do you consider that the communications between the Viceroy and the heads of departments were such as to give the Finance Member a full opportunity of representing the financial consequences of proposed measures? I mean by that question to elicit your opinion as to whether the method of communication ensured to the Finance Member such early

information as to what was going on, as to give him time to make his representation?—Yes, I think so. The Finance Member of Council, and, indeed, all members of Council, when I was in India and, I fancy, during other Governments, always had the utmost freedom of access to the Viceroy. Speaking for myself, I may say that I always encouraged Members of Council to come to me and talk to me as freely as possible about any matters of importance. I do not know whether I can give it as an answer to your question, but it is also the case that the Viceroy has generally been in the habit of seeing the Secretaries to the Government of India in the different departments once a week, so that he has two opportunities of knowing what is going on in the different departments—one opportunity afforded by his constant meetings and communication with Members of Council, and a second afforded to him by the weekly visits of the Secretary.

15,824–5. That is a distinction which we have learned applies to the Indian Government, and which is somewhat novel to our experience here, namely, that the Secretaries to the different departments are not subordinate officers of the Member of Council at the head of the department, but are more immediately dependent upon the Viceroy, who holds independent communication with them?—I should not say upon the Viceroy, but upon the Governor-General in Council. But your view is strongly, and I believe rightly, held by Indian officials generally.

15,826. Lord Cromer pointed out that representations of financial consequences, in order to be effective, must take place in many cases at the initial stage of proceedings. A step may be taken of which the grave financial importance may not be appreciated at the outset. Were you satisfied that the Finance Member always knew of such steps in time to warn the Government, before the Government was committed?—The expression "the initial stage of proceedings" strikes me as perhaps a little ambiguous. It is not always very easy to say at what precise moment a particular line of action becomes inevitable. So far as the circumstances permit, I feel no doubt that the Viceroy would always endeavour to carry his Council with him, and particularly to keep the Finance Member informed of any events which were likely to have a disturbing effect upon the finances of India.

15,827. By the initial stage of proceedings, I mean those first communications which take place upon some event occuring, and these take the form probably of informal unofficial discussions. If matters are at all urgent, the Government may practically be committed in consequence of those informal discussions; do you think that in those cases the Finance Member might rely upon being told in time to make any representation he thought fit about the proposed line of action?—Certainly, with the qualification that I think I gave just now—so far as circumstances permit.

15,828. Of course, in the case of ordinary measures of administration that would not apply, because there is plenty of time for the consideration of every circumstance connected with them. I am rather alluding to emergencies in which very often decisions may have to be taken quickly?—Yes.

15,829. (*Mr. Courtney.*) If we might take such a grave matter as the annexation of Upper Burma, would there be anything like a Cabinet discussion on that with the Viceroy?—That took place before my time, but I should say undoubtedly there must have been.

15,830. And the Finance Member would not only have the power, but would be invited, to express his opinion as to what would be the effect of that act upon the finances of India?—I should think, certainly; but I am speaking hypothetically.

15,831. (*Chairman.*) It is, of course, possible that the Viceroy might not fully appreciate the financial objections to a policy which he adopts. The representations of the Finance Member might not in such a case receive sufficient attention. Sir David Barbour seemed to think that in such a case the Finance Member might with advantage look to the Secretary of State for support; would you think that such a check on the part of the Secretary of State would be an advantage, or would you prefer that such a check should not be looked to as a corrective?—I am not quite sure whether I understand the exact procedure to which your question points. If you mean that the Finance Member of Council should have a direct appeal—an appeal which no other Member of Council would have—to the Secretary of State, I should say that I saw no occasion for giving him that particular privilege.

15,832. I was coming afterwards to the point of the form of the communication. We had from a former Finance Member the important suggestion that the Finance Member should look for support from the Secretary of State in case of grave difference between himself and the Viceroy. That is a very important departure in practice, and I wanted to learn your opinion upon that suggestion, namely, whether the Finance Minister should look outside India in certain cases for the special support of the Secretary of State?—But in what way do you contemplate the Finance Member "looking to" the Secretary of State?

15,833–4. The Finance Member has at present the power of recording a dissent from the decisions of the Council, and in that case his dissent goes home, does it not?—That is so.

15,835. That, however, is a formal act. The Finance Member must be prepared for the publication of his dissent; and, further, the dissent may come too late for useful action on the part of the Secretary of State?—Yes, but the Finance Minister's power of recording a dissent is a power which is of very great value indeed. The Viceroy always knows that that power exists and can be exercised; and I think it pretty clear that, if he trusts the Finance Member and wishes to act cordially with him, he will give the Finance Member the fullest possible opportunity of urging his objections, and that he will go great lengths in order to render the record of a dissent unnecessary.

15,836. Quite so. There is this point about a formal dissent, that the Finance Member, like an ambassador, may have reasons that would make him reluctant to put his full views down upon a paper that might be published?—Quite so.

(*Chairman.*) And, of course, in looking to the efficacy of such a power as that of dissent, you have to look also to whether the person who has the power, can exercise it with complete freedom.

15,837. (*Sir Andrew Scoble.*) Is it not also the case that the Finance Member, in common with all the other members of the Council, has the opportunity of having his views, when they differ from those of the majority of his colleagues, stated in the despatch which comes home to inform the Secretary of State of the resolution which the Governor-General in Council has come to?—Certainly; that is occasionally done.

15,838. And that may be either a confidential despatch or one which is not strictly confidential?—That is so.

15,839. So that he would have the fullest opportunity of stating his views and his reasons for differing from his colleagues in an official document?—Yes.

15,840–1. (*Sir Ralph Knox.*) But the financial result, or probable financial result, of a policy may be stated in the despatch as a matter of fact, without the necessity of his expressing any dissent or any opinion with regard to the matter in hand, may it not?—Yes; but if the despatch is an important despatch, the draft will be circulated and will be discussed in Council; and the Finance Member will have an opportunity of suggesting the insertion of words which would cover the ground that he particularly wished to take.

15,842. And he could insist upon this financial view being shown in the report to the Secretary of State, without formally expressing his dissent or otherwise, from the particular measure?—Certainly.

15,843. Practically leaving it to the Secretary of State, with all the facts before him, to decide the question?—Yes.

15,844. (*Mr. Courtney.*) But, in anticipation of such a formal act as that of sending home a minute of dissent or even a despatch containing the views of the Finance Member, has it happened in your experience that telegraphic communications have been sent home, to some such effect as this:—"The Council deliberated "on such-and-such a matter; Finance Minister dis-"sented; so-and-so answered"?—I cannot at this moment recollect any case of the kind.

15,845. That is the stage at which the opinion of the Secretary of State at home might be of importance?—The Viceroy is in constant telegraphic communication with the Secretary of State; and upon a question where serious financial consequences were likely to arise, the Secretary of State would be very apt in his private communications with the Viceroy to raise points of that sort.

The Most Hon. the Marquis of Lansdowne, K.G., &c.

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15,846-8. (*Chairman.*) The forms in which the apprehensions of the Finance Member might reach the Secretary of State are these: first of all, a formal dissent; then a public despatch which has been, as your Lordship describes, discussed in Council; and, thirdly, unofficial communications of the Viceroy to the Secretary of State, in which presumably he would inform the Secretary of State of the objections that had been made to him by the Finance Member?—Yes. Of course you will remember that the unofficial communications between the Viceroy and the Secretary of State are private, and are not officially recorded. So that the record disappears when the then Viceroy and the then Secretary of State are no longer on the scene.

15,849. Quite so; and with reference to that it has been suggested that the Finance Member might have the power of putting his objections at any time into a confidential memorandum, to be submitted through the Viceroy to the Secretary of State. The object, I take it, of such a suggestion would be this:—Any person who entertained apprehensions about a certain course would prefer to be allowed to state his objections himself in his own language rather than that they should be represented by another person, even his chief, and even though he might be convinced that his chief would represent them as fully as possible. Do you think there would be any objection to that suggestion?—So far as my own experience carries me, I should say that there is no necessity for introducing any such new procedure into the administration of the Government of India; and I should deprecate it, because I think the tendency of it would be to create a certain amount of friction between the Viceroy and the Finance Member.

15,850. I think that at present communications take place between the Finance Member and the Financial Secretary at the India Office, do they not?—Yes, but such communications deal, I believe, entirely with matters of purely financial administration.

15,851. I take it so; but I mean there is that private method of communication?—Yes.

15,852. And, if there is that method of communication open, of course larger subjects may be mentioned in it. Would it not be safer, on the whole, that the Finance Member should communication through the Viceroy to the Secretary of State, than that there should be any chance of communication taking place of which the Viceroy is not aware?—My instincts are entirely against the proposal. I should dislike the idea of putting the Finance Member in that respect upon an entirely different footing from any other Member of Council.

15,853. I think those who made the suggestion would contemplate that the same power should be given to other Members of the Council; I do not suppose that they would actually wish to confine it to the Finance Member?—I see no occasion for the change, and I feel confident that its introduction would greatly weaken the position of the Viceroy.

15,854-5. We have gone through the different methods in which communications may take place with a view to obtaining the support of the Secretary of State; and, perhaps, I may now return to the question as to your opinion upon that suggestion which, I think, came from one or other, if not both, of the Finance Ministers who have been before us, Sir David Barbour and Sir Auckland Colvin, that it might be a good thing if the Finance Minister could in cases of difficulty look for support from the Secretary of State; that would be, of course, in cases where he is at issue with the Viceroy upon a financial question?—I am sorry to answer by asking another question, but what kind of support is he to look for?

15,856. I presume that what they mean is that, in such a case as that, the Secretary of State should take the financial question into his own consideration, and himself impress upon the Viceroy the weight of the financial objection that has been raised by the Finance Member; that is how I understand the suggestion?—I have expressed my opinion, I think, distinctly against the specific proposal that the Finance Member should have the power of putting his objections at any time in a confidential memorandum to be submitted through the Viceroy to the Secretary of State. That is the specific proposal. Then, I understand your Lordship to ask me my opinion upon some different procedure by which the Finance Member should look to the Secretary of State for support. I am a little in the dark as to what is meant by that.

15,857. I think the suggestions made by Sir David Barbour were somewhat vague. He thought that in certain cases the position of the Finance Minister was weak; that necessarily led to questions being put to him as to how he would strengthen it, and he could not propose any practical remedies; but he did suggest that in certain cases of difficulty the Finance Minister might with advantage rely more than at present upon the support of the Secretary of State. I quite understand the difficulty your Lordship has in answering the suggestion; but it has been put before us, and you see it is too important a suggestion to be put before us without being examined?—I should have said that, as matters stand now, the Finance Member can look to or rely upon the Secretary of State for support in this sense, that the Secretary of State does watch the financial administration very closely; and, if he finds that that administration is extravagant, the Viceroy is pretty sure to hear of it. In that sense the Finance Member would look to, and probably obtain, the support of the Secretary of State.

15,858. But I take it generally, from what your Lordship says, that this suggestion, which it is very difficult to put into practical shape, is not one which would have, in any shape, your Lordship's support?—No.

15,859. Taking the period of the last 13 or 14 years, there has been a considerable increase of charge consequent on the fall in the rupee, and due to increased expenditure on the army, has there not?—I believe that that is so; I have not considered the matter lately.

15,860. And, though the revenue during that period has been elastic, it has not sufficed to meet the demands upon it?—I presume the Commission has satisfied itself upon that point; it is a question of fact.

15,861. In fact there has been an increase of taxation?—Yes.

15,862. That, I think, is the answer to the question?—Yes.

15,863. And that increase of taxation has been attended by the dangers and difficulties that always accompany increase of taxation in India, I believe?—I do not know whether I should use the word "dangers"—difficulties, yes—taxation in India is full of difficulty, and any increase of taxation is a difficult matter.

15,864. I think there was a measure within the last four or five years which raised some dangerous questions, did it not? My question is intended merely to emphasise the great necessity of caution in regard to involving increased taxation in India?—There can be no difference of opinion upon that.

15,865. (*Mr. Mowbray.*) Has not one of the main difficulties with regard to Indian taxation arisen in England in the House of Commons? (*Sir Andrew Scoble.*) The cotton duties?—Yes, I should say that that was so; but I answer the Chairman by saying that any increase of taxation in India must always be a serious matter. I do not think that that can be denied.

15,866. (*Chairman.*) The increase of taxation was no doubt necessary; but in these facts we have a lesson, and a practical lesson, of the necessity of sound finance in India, and the desirability that due attention should be given to financial consequences, before a course of expenditure is entered upon?—I think that that is incontestable.

15,867. Do you think that we must look for a continuous increase of army expenditure?—No. I should be very sorry to assume that that was the case; but it is hard to say what the course of military developments and military expenditure is likely to be in the future.

15,868. You know of no reason to anticipate more increase than changes in organisation resulting from the increase in scientific knowledge are likely to entail upon every Government?—Quite so.

15,869. And about those no forecast can be made?—No. There is also, of course, the question of the pay of the soldier. I do not know that anybody could say confidently, that we shall be able to get our native troops a few years hence upon the same terms as those upon which we get them now.

15,870-1. But the pay to the native soldier has been increased of late years, has it not?—It has been increased slightly, I think.

15,872. We have also been told by the military authorities who have been before us, that there is a

question, though it does not seem to be a very pressing one, of largely increasing the number of European officers attached to native regiments. That would be an expensive step?—That would be a very expensive step; but I know that many high military authorities hold that the proportion of British officers to the native troops is not adequate.

15,873. (*Sir Ralph Knox.*) That increase of pay has been given to the native soldier, notwithstanding that the demand on the population to supply soldiers is a comparatively small one; that is to say, you look for a force of about 140,000 men out of a population of 300,000,000?—Yes.

15,874. Notwithstanding that, it has been necessary to increase the pay of the soldier, in order to get the proper men for the service?—But then you will, of course, remember that the part of the population from which we draw those soldiers is a very limited part. I mean, we cannot get the kind of men that we want for the Native Army except from certain portions of India—very limited portions.

15,875. (*Chairman.*) In view of the rapid communication established throughout the empire, both by rail and telegraph, might we not look for some diminution of force?—I am afraid I do not see my way very clearly to that.

15,876. As far as you know, is the scheme of frontier defence now completed?—I believe the scheme of frontier defence which has been in course of execution during the last few years, is complete; but I am afraid I can give you no opinion as to the possibility of that scheme being hereafter considered inadequate, and of its being thought necessary, on military grounds, to supplement it.

15,877. Of course, I am only speaking about the means of information existing at present?—Yes.

15,878. And, having regard to present military expenditure and its effect upon the finances of India, my question is entirely directed to the probabilities of the next few years, so far as existing information enables them to be foreseen?—Then, I think, I should answer that the scheme of frontier defence is complete. I am not speaking of railways, but of defence works.

15,879. We have been struck by the increase in late years of the number in small frontier wars, which must have a tendency to derange budget provisions. Do you think they are likely to prove more than in former days a recurring and permanent source of expenditure?—It is not very easy to prophesy. If I were to attempt to prophesy, I should say that that was likely to be a less recurring source of expenditure in the future than it has been in the past.

15,880. In the return which has been laid before the House of Commons on the motion of Sir D. Macfarlane, giving a comparative view of the military expenditure of India over a series of some 20 years or so, there come within the last 10 years or so, year by year, a considerable number of these expeditions, two, three, or four in a year, while in the previous period they were, if I may so call them, sporadic—an expedition here and there?—Without going through the table carefully, I do not know whether I could accept that view; but it is undoubtedly the case, that there was a moment when we had several frontier complications simultaneously on our hands. For example, I think there was one time at which we had trouble on the Black Mountain, and, simultaneously with that, operations at various points on the frontier of Burma. The annexation of Upper Burma naturally led to difficulties with the lawless people who adjoin Burma on each side, and, consequently, there was at one time an abnormally large amount of activity of that sort at different points of the frontier.

15,881. Do you think that the arrangements which have been made in consequence of these expeditions, have been such as to render their recurrence less likely than previously?—Most certainly I do. I think the frontier, if I may put it in that way, is now in a very much better shape than it was 10 years ago. I may, perhaps, say that I was allowed to see Lord Roberts' evidence, and I agree with what was said by him as to the much more thorough way in which recent military operations on the frontier have been carried out.

15,882. Without troubling your Lordship to go through the figures, I will hand you that return, because from the way I have scored the items you will see the figures upon which I based my question?—Yes, I think they show that you are quite correct in saying that there was a period when, apparently, there was a lull, followed by another period during which there was more than usual activity.

15,883. But, of course, the important point to us is that, in your opinion, the arrangements which have followed this outbreak of difficulties are such as to render their constant recurrence, at all events, less likely than heretofore?—I hold that view strongly.

15,884. (*Mr. Courtney.*) Have there not been these periodic lulls and outbreaks in the course of the last 50 years?—Yes. For example, I think Lord Roberts told the Commission in his evidence that there was a period of 40 years during which there were 35 operations, 20 of which were considered of sufficient importance to justify the grant of a medal; but I venture to repeat what I said to the Chairman, that I think the frontier now is in a much sounder state than it has ever been before.

15,885. Has not that hope been expressed by previous Viceroys, or ex-Viceroys, and been realised for a short period, and then a new situation has arisen by the necessity of things?—I do not think the hope has been expressed under circumstances similar to those which are present now. The old policy was much more a policy of going in and giving the tribes a severe lesson, and then coming away and leaving them to themselves until they broke loose again, and had to be once more punished. I think it was Lord Lytton who described that policy as a policy of alternate vengeance and inaction. The recent policy has been rather that of letting the tribes feel that they are in a sense our men, that they had a good deal to expect from us in the way of pay for road making, pay for levy services and things of that kind, and that it was to their interest to behave themselves properly.

15,886. (*Chairman.*) Then the remedy is still rather to make it their interest to keep the peace than to assume direct control over them?—It would certainly not be to assume direct control in the sense in which we exercise direct control within the frontiers of India; it is a control of a very light and elastic description, but still it is a control.

15,887. I wanted to ascertain the precise difference between the old period of inaction, which your lordship has described, and the present time. It has been for a very long time the policy to endeavour to make it the interest of the people to keep the peace by presents and subsidies of different kinds?—I think we used to set about it in rather a curious fashion. One feature in the old system, which always seemed to me to be a very bad one, was that a tribe which had misconducted itself had a heavy fine put upon it, and was given a certain number of years in which to pay that fine. The result of that was that the fine would be paid, if it was paid at all, not by the lawless members of the tribe who were the people you wanted to punish, but by the well-conducted and more orderly portion of the tribe, who were in the habit of coming across the frontier to carry on their business within the borders of India. Those fines, I think, kept up a very rankling sense of injustice, and rendered the pacification of the country more, and not less, difficult.

15,888. But in what form were those fines levied? Were the chiefs of the tribes required to come in at certain times and pay the fine?—I can tell you what I once saw with my own eyes. When I was on the frontier, I went one afternoon to a post which the caravans had to pass through, and I saw a number of tribesmen carrying wood on their shoulders. Each man, out of, say, his ten pieces of wood, had two taken away from him. I asked what it was for, and I was told that it was the arrears of a fine levied on the tribe for a raid which had taken place I am quite afraid to say how many years ago.

15,889. And no attempt was made to provide that the tribe generally paid the fine, but it was levied, as I think you described just now, upon the most orderly part of the tribe, namely, the traders?—They were the only people you could get anything out of. The men who remained up in their own fastnesses, cutting each other's throats and other people's throats, naturally were not likely to contribute anything.

15,890. And now, as I understand your Lordship, the system of fines has been replaced by services of different kinds?—The Government of India gives them service in what are called tribal levies, a very irregular,

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rough and ready sort of militia, on condition that they should keep the roads up, perhaps repair certain portions of them; sometimes it is part of the conditions that we should have posts at certain points; arrangements of that kind have been carried out with very great success—for example, in the Zhob valley.

15,891. (*Mr. Buchanan.*) Under the new system we make ourselves responsible for the maintenance of order within the tribal territory?—Yes, to a certain extent.

15,892. Whereas under the old system we left the tribes under their own government?—Under the old system we left them entirely to themselves.

15,893. Is not the new system a much more expensive system?—I do not think so, because I think it is a system to which the people adapt themselves, and under which they settle down very readily.

15,894. You mean that, from the point of view of cost, the chances of renewal of these frontier expeditions ought to be set against the increased cost to the Government of India of the additional territory, because practically we annex the territory?—Well, pardon me, it is not quite that.

15,895. We extend our own boundaries?—Annexation would mean that we should bring these people under a system of government identical with or like that which prevails inside the borders of India. We should not administer the Zhob valley, or places of that sort, in that fashion at all.

15,896. Of course, annexation may have various meanings; but we make ourselves responsible for the maintenance of order within that territory, and I suppose that we should consider that the boundaries of our Indian Empire would extend to the farthest limits of that territory?—We, no doubt, make ourselves to some extent responsible for conduct of the tribes, and we regard their territory as within our sphere of influence.

15,897. (*Mr. Courtney.*) Internal order?—Oh, no, not internal order; we should turn a blind eye to the telescope, if the case was merely one of internal disorder.

15,898. (*Mr. Buchanan.*) But if the internal disorder led to anything like a renewal of raids upon our own subjects within our own territory, we should interfere then?—Yes, certainly.

15,899. (*Chairman.*) Then may I take it that the difference now is that, whereas their internal administration, is left to the tribes completely, we require them to keep the peace as between themselves and their neighbours in our territory?—Yes, we teach them to look to us.

15,900. To settle their disputes?—Not to settle their internal disputes amongst themselves.

15,901. No, but between themselves and their neighbours, you mean?—Not in the case of minor, intertribal disputes, but in cases where the peace of the border was seriously threatened.

15,902–3. (*Sir Ralph Knox.*) But do the tribes make any payment to us of any kind?—Sometimes a light revenue is taken from them.

15,904. But the change of system is practically that, instead of their paying us a fine, we pay them wages, is not that about it?—The system varies very much. It would be a great mistake for me to suggest that the same system is suitable, let us say, on the Baluchistan border and throughout the Waziri country; that is not so. But I think your question suggests what is generally the case.

15,905. And it is cheaper to make this expenditure in the way of payment than to be liable to the constant outbreaks which were the result of the old system?—I have very little doubt about that.

15,906. (*Chairman.*) But if we insist upon the tribes keeping the peace with one another, will not that involve a good deal of interference with these lawless people?—I should not anticipate that.

15,907. (*Mr. Courtney.*) Do we really interfere in quarrels between tribe and tribe?—It depends upon what sort of quarrel you mean; we should not interfere unless they committed some very serious irregularity.

15,908. Unless it reacted upon ourselves?—Yes, I think you may put it in that way; while we should ignore a quarrel between one village and another village, or between a small section of a tribe and another small section of a tribe, we should not ignore anything that led to a general disturbance of the frontier, or to serious trouble affecting ourselves.

15,909. (*Chairman.*) The gravity of each case would be judged from its effect upon ourselves?—Yes.

15,910. And, therefore, the necessity for interference?—Yes.

15,911–2. (*Mr. Buchanan.*) Having regard to military expenditure in India, whether upon frontier expeditions, upon frontier defence, upon increase of the army itself, or expenditure upon the army, are we to take your evidence as coming to this, that, upon the whole, you can tell the Commission that we can look forward to the present military expenditure of India upon all those various points as being about normal, and not likely to be subject to rise or fall?—I see no reason for anticipating that under any of those heads the expenditure is likely to increase largely in the near future.

15,913. You think that the expenditure upon frontier defences, so far as you like to prophesy, is fairly complete?—Yes.

15,914. And the new frontier policy, you think, will in the end prove economical?—Yes.

15,915. And then, am I right in understanding you to tell us that, upon the whole, you do not think that there will be a great increase of expenditure upon the army in India?—That is a point as to which, speaking as a civilian, I feel some doubt whether I ought to say anything; so far as I can judge, I should say that there was no reason for expecting any large increase.

15,916. Lastly, you have told us that you did not think that the forces, either native or British, could be decreased; but are you of opinion that it is not likely to be necessary that they should be increased?—No reason occurs to me at this moment for which it should be necessary to increase them.

15,917. (*Sir Ralph Knox.*) But you did qualify your evidence on the point of pay; you were not quite sure that the pay could be maintained?—Yes, I made that reservation.

15,918. (*Mr. Mowbray.*) You referred also to the possible increase in the number of British officers in the native army?—Yes.

15,919. (*Chairman.*) I think you restricted your opinion to the near future, did you not?—I think we must all of us restrict our anticipations to that.

15,920. It has been suggested that the presence of two military members gives rather a preponderating weight to the military element in the Council?—I think that suggestion assumes that questions involving military expenditure are constantly disposed of in Council by a majority of votes; that, is not at all the case. And I think it also assumes that the two military members are always to be found voting solid in favour of proposals for increasing military expenditure; that also is not the case. The Military Member of Council, I should say, exercises as a general rule a very potent influence on the side of economy.

15,921. In fact, you confirm the evidence of Sir Henry Brackenbury and Lord Roberts upon that point. They, I think, were emphatic in their view that the views of the Commander-in-Chief and the Military Member were by no means identical on many occasions?—Oh, certainly they are not.

15,922. In drawing an analogy between administration here and administration in India, we have been told that the office of Military Member of Council corresponds in a very general manner to our old office of Secretary-at-War. Before the change of forty years ago was made, he was the minister who proposed the military estimates in the House of Commons, and he was always regarded in our administration as the check within the War Department upon military expenditure rather than the promoter of it?—Yes, at any rate, I would answer your question by saying that the function of the Military Member is upon the whole rather to check than to encourage expenditure.

15,923. In that case would you contemplate that occasionally a civilian might be put into that office?—I do not know that there is any fatal objection to it, but I should be inclined to say that, as long as you can get a good soldier for the post, it would be better to

put a soldier in it. The civilian would have a great deal to learn before he could get through the work properly. The Commission is, moreover, no doubt aware that the Commander-in-Chief is very frequently not able to be present at the meetings of the Viceroy's Council, and in his absence it is, I think, a distinct gain that there should be a military expert of some kind present. Questions constantly arise in the most unexpected way in which military interests are involved, and if there was no soldier in the Viceroy's Council, I think it would very often be a drawback.

15,924. (*Mr. Courtney.*) Would you bear in mind in those answers our possible analogy at home?—The analogy being that there is no soldier in the Cabinet?

15,925. Yes?—But the Cabinet can always send for the Commander-in-Chief. The Commander-in-Chief in this country is not as inaccessible as the Commander-in-Chief in India must, from the force of circumstances, very often be. The Viceroy's Council may be sitting at Calcutta, and the Commander-in-Chief may be on tour in the Punjab.

15,926. But the Commander-in-Chief only goes on tour during part of the year?—Part of the year.

15,927. Would the sittings in Council be required to be held so continuously throughout the year that it would be very greatly inconvenient for him to attend?—The Council sits once a week with the exception of the time during which the Viceroy is on tour in the spring and autumn.

15,928. And military questions are constantly arising?—I cannot say that; but you never can be sure that a military question will not arise.

15,929. (*Chairman.*) As I take it, your opinion is this: that, in the absence of the Commander-in-Chief, the Viceroy naturally looks for advice to the head of the Military Department who is, of course, the Military Member?—Yes, on military questions.

15,931. (*Mr. Courtney.*) But the Viceroy would always be in communication with the Commander-in-Chief, even though the Commander-in-Chief were away?—Yes, but I do not think that that would be a very convenient arrangement. A letter might take a week, and telegraphic communications are not very satisfactory under those circumstances.

15,932. (*Sir Andrew Scoble.*) And the Commander-in-Chief might be beyond the reach of the telegraph?—Certainly.

15,933. (*Chairman.*) At all events, without absolutely putting a veto upon the possibility of appointing a civilian to the post, you would always prefer that a good general, if he can be found, should hold it?—Yes.

15,934. My question does not so much suggest that a civilian should be put into the post, but tests how far military qualifications are necessarily required in the Military Member. The cost of civil administration seems hardly to have kept pace with the increase of population and the increasing demands of the present day. Do you think that these branches of domestic expenditure have been in any way starved in order to enable military demands to be met?—I do not think so.

15,935. You are satisfied, within your experience, that the fair demands for all domestic administration were reasonably met?—I do not know whether I should put it as strongly as that, because India is a country in which you could spend with very great advantage unlimited sums of money on domestic administration; but I think most people feel that, unless you were reasonably strong in India, there would be no domestic administration to carry on.

15,936. Quite so. I will take one department, the Judicial Department; did you find demands for an extension of it which you were not always able to meet?—I do not remember such a demand.

15,937. And I might ask the same question with regard to roads and bridges and irrigation; were those matters, for which, when you had the budget before you, you would very gladly have granted more money, but found that you were not able to give it?—Certainly; as I said just now, you could spend almost unlimited sums of money on such purposes as roads and bridges and other improvements.

15,938. (*Sir Ralph Knox.*) But such expenditure would not be reproductive to any very great extent, would it?—I think a good deal of expenditure of that sort is reproductive.

15,939. (*Chairman.*) Well, we have heard that, taking expenditure on irrigation as a whole, it is really reproductive?—I think you must get that from an expert.

15,940. I only mention that to you as the result of what we have heard in evidence?—Yes.

15,941–2. Then would you anticipate any large or continuous increase in expenditure in civil administration?—I am afraid I cannot answer that question.

15,943. Do you approve of the delegation of larger powers to Provincial Governments?—Yes, I do.

15,944. You consider that that system generally, which was begun by Lord Mayo, is successful?—I think so.

15,945. And economical?—I think so, on the whole.

15,946. In your opinion has the limit of such delegation been reached, or would you extend it further?—I do not know that I can offer any useful opinion about that. I am inclined to regard with favour the suggestion that the provincial contracts should be allowed to run for a longer term than they do at present; and I believe there is high authority for that view.

15,947. That is to say, it would give the Provincial Governments greater certainty as to their future powers of expenditure?—Yes.

15,948. At present the Provincial Governments are not certain that, at the close of the comparatively short period to which the contract extends, the whole of the increase upon the duties which are handed over to them may not be taken by the Imperial Government for Imperial purposes; that, I suppose, is the fear?—Yes.

15,949. This Commission is directed to report on the apportionment of charges between the United Kingdom and India for purposes in which both are interested. May I ask whether you have any opinion as to the principle upon which such apportionment should be made?—Does that question refer to what we commonly speak of as the home charges for the Army?

15,950. I think the home charges is the most convenient instance to take. As your Lordship is aware, there are a great number of services on which payments are made by India to England?—Yes.

15,951. But the home charge for the British regiments serving in India is such a large one that it is a convenient one, I think, to take?—Then, if I may answer with regard to the home charges, I should say that in my opinion we should begin by calculating the charge which can be fairly made against India on account of the men actually supplied to her; the charges which are directly dependent on the services of a part of the British Army in India; and that, having made that calculation, we should then consider whether, on account of the peculiar circumstances of India, her peculiar relations to this country, there is or is not a sufficient case for abating something of that charge.

15,952. Then may I take it as your view of the principle that, at all events at the outset of the calculation, India and England should be treated as two partners, and that the fair cost to which the War Office is subjected in providing men for India should be calculated and charged against India?—Yes.

15,953. Subject to such consideration of the circumstances of India as the Government for the time being may think right?—Quite so.

15,954. But that would assert as a principle that a fair apportionment of the charges should be made?—Yes.

15,955. You are aware that, owing to recommendations of the committee over which Lord Northbrook presided, the home charge of regiments serving in India is now represented by a payment of 7*l.* 10*s.* per head on the establishment. Have you any opinion to express upon that arrangement?—I think that arrangement, which, I understand, the India Office accepts, is a fair one; and I would not go behind that in endeavouring to calculate, as you put it just now, what would be the fair charge to be made by this country against India.

15,956. That is to say, you would accept that present arrangement, which was made by Lord Northbrook's committee, as a working arrangement which should run

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for a certain number of years?—As the point of departure, yes.

15,957. As the point of departure. Well, now that brings us to the question as it has been put before us by the two departments. The India Office have informed us that they do not wish to dispute the arithmetical calculations on which the capitation rate is founded, but they wish the Commission to consider certain considerations which, in their opinion, demand, or at least would justify, liberal treatment. On the other hand, the War Office dispute the force of the principle which the India Office put forward, and argue that the actual home charges of the regiments in India against the Imperial Government are much more than the amount which is recovered by the Imperial Government under the capitation rate. I do not like to press your Lordship for answers upon these points, because it is so long since you have had reason to actually consider them; but perhaps I may just run through the considerations which the India Office put forward and ask you whether on them you have any opinion; and after that I will give you the heads of the War Office reply, putting to you the same question. The main points put forward by the India Office are these: They say, first of all, that recruiting is too expensive. I will stop at each point?—So far as I am aware, the machinery by means of which we collect our recruits is not more costly than it was, but we pay more for our soldiers. On the other hand, India gets under the present system better trained men than she used to get.

15,958. The fact of the matter is, the recruit is more expensive for the home Army, and, therefore, is more expensive for the Indian Army?—Yes, and he is a better article.

15,959. Well, secondly, they say that short service has imposed a heavy charge on India for transport. That confines the question of the results of short service to only one incident of short service?—Yes, short service, in so far as it requires more frequent reliefs, has obviously increased the cost of transport. On the other hand, I am told that there is a very considerable prospective saving under the head of pensions; but that is a matter which Sir Ralph Knox no doubt could tell the Commission all about. Speaking generally with regard to short service, I should be inclined to say that it ought not to be represented as having been introduced either for the special advantage of India or for the special advantage of this country. It was introduced because the system which preceded it had hopelessly broken down, and it seems to me, therefore, that both India and England had an interest in the introduction of the system, which, whatever its faults, has certainly given us the required number of troops in a manner which the old system failed to do altogether.

15,960. Sir Ralph Knox has put before the Commission reasons for holding that, taking the financial results of short service, as a whole, it is actually a saving to India. That is quite apart from the point to which your Lordship has just called attention, namely, that the old system had broken down and had to be replaced by another; he holds that short service is a saving to India, or will shortly be a saving to India, in actual cash?—That is rather, I think, a point for the experts.

15,961. It is not a point that you would contest; I mean, you see no reason for contesting it?—I understand that the saving is mainly a prospective saving in respect to pensions; is that not so?

(*Chairman.*) Sir Ralph Knox, perhaps you would give those points upon which you found your opinion, would you?

15,962. (*Sir Ralph Knox.*) Under the old system a very large annual charge was created for pensions; that is to say, the annuity that was created amounted to between 50,000*l.* and 60,000*l.* a year in former years. That charge was regarded, and properly so, as abnormal, but the normal might be fairly taken at 42,000*l.* or 43,000*l.* a year. Well, that prevailed for some time; but now the annuity which is created for pensions to soldiers does not amount to much more than 13,000*l.* or 14,000*l.* a year. That, of course, of itself is a very considerable difference, that is to say, the reduction from 42,000*l.* or 43,000*l.* a year to 13,000*l.* or 14,000*l.* a year: and these are actual facts?—I do not question them for a moment.

15,963. But, of course, pensioners proverbially live a long time?—Yes.

15,964. And, at present, there are many men on the pension list that are the remnant of the old system, under which heavy annuities were created in former years?—Yes; that was what I meant when I said that the saving was mainly a prospective saving.

15,965. Yes, but this saving is taking effect now, inasmuch as the annuity, which is created every year, is not much more than one-third of what it was in former times?—Yes.

(*Mr. Buchanan.*) Should not deferred pay, which only comes in in short service, be put against the saving?

(*Sir Ralph Knox.*) Even if that were put against the saving, there is still a balance in favour of India; but it is not fair to put deferred pay against it. It is *post hoc*, and, therefore, in the view of some people *propter hoc;* but the increase of pay was given quite apart from short service, for very much the same reason as the increase of pay has been recently given in India, namely, to obtain the soldiers.

15,966. (*Chairman.*) Then the next point that the India Office puts forward is that the regiments in India have been kept up to full strength, and do not profit by the reserves which short service has established?—I am not sure that that is a fair way of stating the case. India gets the advantage of having battalions in a very high state of efficiency, battalions for the sake of which the battalions that we keep at home are, to a certain extent, sacrificed, or perhaps I ought to say for the sake of which the home battalions are subjected to a very constant drain; so that it comes to this: India gets the efficient battalions, we get weak battalions, but weak battalions which we can convert on mobilisation into extremely efficient battalions, by the addition of these army reservists; so that each of the partners gets its own advantage.

15,967. In fact, the reserve created by short service is a kind of second reservoir as far as India is concerned. The first reservoir, namely, the battalions at home, are depleted to make efficient battalions in India, and the second reservoir supplies, or might supply in case of emergency, the deficiency of what I call the first reservoir. In order to get the Army to its full strength, you would have to fall back upon these reserves?—The home army.

15,968. The home Army; and in the meantime the home army has depleted itself in order to make the Indian battalions efficient?—Yes; it is really the first business of the home Army to supply the necessary drafts for the foreign Army. Therefore, the Indian Army, which forms a part of the foreign Army, derives a very great advantage in that respect.

15,969. And the home Army could not supply those drafts if it had not got these reserves to fall back upon in case of emergency?—I would put it in this way, that we, the home partner, could scarcely accept an arrangement of that kind unless, as our share of the advantage, we gained by it a certain number of reservists, trained partly at home and partly in India, with which to fill up our weak home battalions in case of mobilisation.

15,970. That represents the view which I have endeavoured to put to you. Then the next plea of the India Office is that India is a good training ground for the English Army?—That, perhaps, is a point for the soldiers to speak to; but, as far as I can venture to have an opinion, that opinion is that India is of very great value as a training ground for the British Army, particularly valuable in respect of the opportunities which it affords to our younger officers; and also very valuable in this respect, that in India the military authorities can move troops about, can exercise them over large areas of ground, whereas in this country, as you know, we have been struggling to obtain even limited powers to manœuvre troops. We have to consider the feelings of the landed proprietors, and the hares and partridges, and so on.

15,971. Then the India Office say that the recruits at the depôt are used for the defence of England. That is a point upon which the India Office and the War Office have joined issue?—I do not think there is very much in that. In point of fact, the recruits on mobilisation, I take it, would remain at the depôt; the battalions would be made up to war strength by the addition of reservists, and the young soldiers, at any rate at the outset of the campaign, would not take the field.

15,972. It was represented to us by the military authorities that these troops, while in the course of training, would in the main be of very little use, as being very partially trained young men?—They would be young soldiers, and they would be only partially trained.

15,973. And, therefore, their value as a defence in England, though more than that of mere civilians is not very great?—Not a very valuable asset.

15,974-7. Lastly, the India Office say that the abolition of purchase was a heavy burden on India?—I understand that the officers' pensions, consequent on the abolition of purchase, involved a serious charge upon India; but I do not know that you can take the line of saying that India had no interest in the abolition of purchase. If it was for the good of the British Army, and if we are to regard India and this country as partners, I suppose it is fair to say that India has an interest in anything which renders the British Army more efficient. India, I think, certainly gains in one respect in consequence of the abolition of purchase, that it renders it much easier for the military authorities to select officers for important appointments according to their military fitness, and I think it is quite clear that that is a very valuable consideration indeed.

15,978. The War Office reckon the home charges to the Imperial Government as 1,100,000*l.*, whereas they do not recover from India much more than half that sum; and they consider that in this respect the treatment of India is very liberal. Lord Northbrook demurred to some of these charges, such as the share of the cost of the general staff at home; but, after making deductions on account of charges about which there is an argument, it would appear that the capitation rate of 7*l.* 10*s.* does not cover the whole charge to the Imperial budget. Would you allow Lord Northbrook's view, that it is pressing the argument a little too far to include, as I think Sir Ralph Knox does, something like 190,000*l.* as the Indian share of the central administration here?—Yes, I should agree with Lord Northbrook upon that point.

(*Chairman.*) Still that would leave, according to Sir Ralph Knox's calculation, something like 900,000*l.* against the actual charge of, roughly, 600,000*l.*, Sir Ralph, is it not?

(*Sir Ralph Knox.*) 540,000*l.* I make it.

15,979. (*Chairman.*) Therefore, excluding from the calculation the charge for administration, would you consider that the plea of the War Office is a fair one that the treatment of India is at present liberal?—I think it is difficult to answer that question without examining the items of the charge in detail. I understand the Indian argument to be something of this kind: that we ought, before we send our bill in, to consider certain general broad considerations, and not to exact the uttermost farthing. Sir Ralph Knox replies that we do not exact the uttermost farthing, we begin by letting India off so many hundred thousand pounds. But then I think the question which the Royal Commission has to consider is, whether those concessions, on which Sir Ralph Knox relies, are real concessions—whether, if I may put it so, public opinion would permit us, permit the Government of this country, to charge India with the whole or any part of these sums by which the sum is made up to 1,100,000*l.* I should rather have understood, from the attitude of the Treasury and the War Office upon this point, that we did not ask the whole 1,100,000*l.*, because we thought that it was an unfair and an unreasonable thing to press the whole claim.

(*Chairman.*) Would that quite represent the position? Each side made out and put in its plea before Lord Northbrook's Commission, and Lord Northbrook's Commission said, "Well, looking at this subject the "whole way round, with concessions on both sides, "7*l.* 10*s.* is a fair compromise." Would not that have been the attitude of Lord Northbrook's Commission, Sir Ralph?

(*Sir Ralph Knox.*) Well, I do not know that that was in Lord Northbrook's mind; it was in my mind.

15,980. (*Chairman.*) What I mean is that the 7*l.* 10*s.* was not supposed to charge India for everything that might be put into the bill against her?—If I might put it quite in a general way, I think the way in which the case presents itself to my mind is this: First, you make out your account as a fair and reasonable account between two partners, and that account gives you, I understand, the 7*l.* 10*s.* Then arises the question whether there are other considerations of a much more general kind, which would justify you in asking for less than the whole of that fair amount: Considerations of the kind which are mentioned, towards the conclusion of a despatch which was sent home by the Government of India in the year 1890, a despatch which I know the Royal Commission is aware of.

15,981. Then, may I gather that you would allow so much of the War Office bill of 1,100,000*l.* as, taking your words, "public opinion would permit the Govern- "ment of this country to charge" against India. Supposing that bill amounted to, what shall we say, 700,000*l.* or 800,000*l.*, you would not take the difference between that sum and the 7*l.* 10*s.*, which Sir Ralph Knox says amounts to 540,000*l.*, as liberal treatment on the part of England which should be set off against India's demand for liberal treatment?—I treat the two points as distinct. First make out your fair account between the two partners; and then consider whether there are any considerations, such as those which were touched upon in the 1890 despatch, which would justify you upon broad grounds of policy in making a remission to India.

15,982. But, as I understand it, your view is that the 7*l.* 10*s.* is a fair charge, and, therefore, you would not think that the English Government is in a position to say, "Oh, but we have let India off 250,000*l.* or whatever "the sum may be"?—Yes. I mean that. I mean that we should not take credit to ourselves for having let India off the difference between that which we do ask her to pay and the 1,100,000*l.*

15,983-4. And, therefore, any consideration that ought to be given to these six pleas of India in mitigation of the English claim, which we have just gone through, should come off the 540,000*l.*, and should not be set off against the difference between the 540,000*l.* and any reasonable sum?—Well, I was thinking not so much of those pleas which are, some of them, pleas of a rather technical character, as of the kind of plea which is pointed at in the 1890 despatch—I mean the plea that Indian foreign policy is really determined by Imperial rather than by Indian considerations: the plea that the Indian Army serves for Imperial as well as for Indian purposes: the plea that the liabilities of India are of a kind to which she would not be subject, but for the fact that she is an integral part of the Empire—pleas of that kind.

15,985. I understand you would entirely put aside these special pleas which the India Office puts forward; you would allow the 7*l.* 10*s.* for the time being as the basis of the re-arrangement between India and England, but then you think the Government here might take into consideration certain general pleas of policy which would justify England in making a concession to India?—Yes.

15,986. Sir Henry Brackenbury proposed to abolish accounts between England and India for army effective services, and to ask India only for a liberal contribution towards the Navy. As he would give a liberal contribution, the saving to India would not be so great as might at first be thought. He threw out the idea mainly as a suggestion, not as a scheme worked out. May I ask you how that suggestion strikes you?—It does not commend itself to me. I do not see, although I am entirely in favour of dealing very considerately with India, why she should not make a substantial payment for that part of the home Army which serves in India. She would not gain very much if she were let off all payment on account of the British troops lent to her, if at the same time she were saddled with a large payment towards the Navy. And I should also, looking at it from the Indian point of view, have this in my mind, that, if the naval expenditure were to increase very largely, India would find it very difficult to resist a claim for a larger portion than the one-twelfth which I think was Sir Henry Brackenbury's quota. Then, there would be inconvenient questions as to India's right to control any squadron that might be in Indian waters. If she paid, she would probably say that she ought to have a voice in deciding where the ships were to be. That, I think, would not be likely to commend itself very much to the naval authorities, who insist, and I think properly, that the movements of the fleet should be as untrammelled as possible. If India is to pay for anything, it seems more natural that she should pay for a part of the Army than that she should pay more than she does at present for a part of the Navy. I should, answering your question, say that the present

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system is more in accordance with precedent and tradition, and that we ought to endeavour to make it work as smoothly as possible.

15,987. There is no great difficulty at present in carrying out the Australian arrangement, is there, as far as your Lordship knows?—I am afraid I cannot tell you.

15,988. But you are aware that there is an arrangement between Australia and England as to a naval contribution, and I have not heard that there has been any friction in working it?—It is a terminable arrangement I think.

15,989. A terminable arrangement?—Yes.

15,990. You think that there is fair argument for the present system, inasmuch as it is a continuation of an old and a well-known system. India used in former days to keep a local force of her own, for which she paid every charge; she took at that time only a small number of royal troops, and for them she paid the whole charge; and that precedent and tradition is still maintained, is it not, under the arrangement under which she is now supposed to pay the full home charges of the troops she employs?—I think precedent and tradition are in favour of the present system; and I see no reason why it should not be made to work satisfactorily.

15,991. It is a fair consideration, is it not, that the burden on the British taxpayer would be made very heavy compared with former days, if he had to take the whole of the home charge for the large force which India employs?—That is certainly a material consideration.

15,992. And further that India in the old days kept her own special navy. It was not a large one, but she did keep her own navy; and I presume we might say, looking at the difference in the cost of ships and armaments since that day, that, if she had kept that navy, the cost would now very much exceed her present contribution?—I can scarcely express an opinion upon that.

15,993. It is said that India should be treated like the self-governing colonies; but is it not the case that the great self-governing colonies, the Cape excepted, cost the Imperial Government very little for army services, that the Imperial Government considered that they should contribute towards the navy, and that Australia has already set a precedent and made a contribution?—That is the case; but I should mistrust all analogies applied to India and drawn from the self-governing colonies. The position of the two is so very different.

15,994. I do not know whether I might ask you if you have considered the arrangement as to the cost of the ships supplied to India by the Home Government made under what is called the Rosebery award?—I am afraid my recollection upon that is not distinct.

15,995. And on the whole, you hold that India and England are two partners, and that in adjusting the accounts between them fair and real consideration should be given to the fact that England is responsible for the foreign policy of India?—Yes.

15,996. (*Mr. Courtney.*) Have you considered, Lord Lansdowne, from the point of view of India itself, whether, supposing she were isolated from the United Kingdom, it would be necessary to maintain a force such as is borrowed from the United Kingdom and in the same degree of efficiency?—I should say certainly not. The Indian Army is organised with a view to the possibility of its employment upon operations which have nothing to do either with the internal policy of the country or with the mere repression of tribal disorders upon the frontier.

15,997. Then would it be a fair suggestion that the difference in the cost of training that force so borrowed, between what would be necessary for Indian purposes and the standard which is kept up for Imperial and home purposes, should be borne by the home exchequer?—It is very difficult to express these things precisely in terms of money; but your question seems to me to point to the principle which I was endeavouring in my answers to the Chairman to enforce.

15,998. That we for home purposes, for Imperial purposes, are keeping the army at a higher standard of efficiency than India, taken by itself, would require, and that we should make that consideration an element in arriving at the settlement of charge between the two countries?—Certainly, an element.

15,999. That cannot be put into figures, but still it is an important element in the spirit in which we should approach this settlement?—That is my view.

16,000. There is another question which I should like to ask; supposing there were no India—we lend a certain force for the purposes of India—supposing there were no such purposes required, should we still want any part of that force, or could we dispense with it altogether?—The force which is now employed in India?

16,001. Yes?—I should say that we could certainly dispense with a very considerable portion of it. I hope I do not misunderstand your question.

16,002. I asked not whether we could dispense with a considerable portion, but whether we should still find it necessary to keep some of the force, or could dispense with it altogether? If, for example, we lent 70,000 soldiers to India and India did not want them at all, should we still want for our own purposes to keep some of them—to put them somewhere?—I hardly like to answer that question confidently; it is a strictly military question.

16,003. As Secretary of State for War you have a double power of answering the question?—I should say that we certainly could dispense, if not with the whole, at any rate with a very large portion of it.

16,004. Would it, in fact, be a valid argument from the point of view of India to say: "You are charging "us for 70,000 troops, but, in point of fact, it is a con- "venience to you, quite apart from India, to place "20,000 or 30,000 of those in India. You would have "to keep them even if there were no consideration of "India in the matter, and you ought not to charge "us for that portion"?—Would you mind repeating the question.

16,005-6. Would it be a valid argument on the part of India to say "you are charging us for 70,000 men "whom you are lending to us; but, if we did not want "them, you would not be able to disband them "altogether; you would still require 20,000 or 30,000, "and it is a convenience to you that we keep them "here; you ought not, therefore, to charge for the "whole 70,000, you ought to make an allowance for "those we keep, which you would have to keep in any "case"?—That would be assuming that there are in India 30,000 troops constantly available for other than Indian purposes. I do not think that is so.

16,007. No, no, no. I have not made myself understood. Supposing India were not a dependency of ours?—Yes.

16,008. Then, at first sight, the effect would be, that we should have 70,000 troops to bring home?—Yes.

16,009. Should we disband the whole 70,000 as being quite unnecessary, not wanted, or should we still for our own purposes keep 20,000 or 30,000 of them? And, in the latter case, would it be a valid argument on the part of India to say, "It is true you lend us 70,000 men; "but you would have to keep up 20,000 or 30,000 of "them, in any case, and you ought not to charge us "with the whole number; it is a convenience to you "that we take a certain part"?—I do not think that I should admit that in that case we should still require 20,000 or 30,000 of these troops for our own purpose. The Indian Army, as I understand it, is what is required for India, always remembering that India is called upon not only to provide for the internal police of the country, but also for other contingencies on or across the frontier. What would probably happen, I should say, in the contingency that you suppose, would be that our whole army system would be re-cast. The present army system is really in great measure contrived to serve the two-fold requirements of this country on the one hand, and India on the other; and I think it is quite impossible to say, supposing you could wipe India off the map of the globe, and release the 70,000 troops, what the result of that would be upon the military system of this country; it would alter it so fundamentally.

16,010. It would not be an argument worth considering, if advanced on the part of India?—I regard it as a very academical argument.

16,011. (*Sir Ralph Knox.*) It is the case that the army corps mobilizations which are now contemplated in this country, both offensive and defensive, could be absolutely completed without calling one single man from India; is not that so?—Certainly.

16,012. And therefore the emergency which would call for the use of European troops which are now serving in India would be something far beyond, at all events, what it has been contemplated that it is necessary for this country to provide for?—Yes.

16,013. (*Chairman.*) At the present moment none of the 70,000 men employed in India would be available for our service? The force required in India is considered to be necessary for India, is it not?—Yes, and no part of it ought, in my opinion, to be permanently withdrawn for our service. I am not speaking of temporary loans.

16,014. Therefore, Mr. Courtney's point really amounts to a proposal to increase the Army here by 20,000 or 30,000 men?—That is what it would come to.

16,015. If a claim is to be made by India upon the British taxpayer for anything representing the cost of that force, it would be rather a heavy demand upon the British taxpayer?—I think it would.

16,016. (*Mr. Buchanan.*) You have referred to the 1890 despatch which your Government sent home?—Yes.

16,017. That despatch was not laid before Lord Northbrook's Commission, I think?—I do not know.

(*Mr. Buchanan.*) I think Lord Northbrook told us it was not.

(*Sir Ralph Knox.*) It was not.

(*Chairman.*) Was there not a reason for that? Was it not put in evidence before us that the ground upon which that despatch was written, as far as Lord Northbrook's Commission was concerned, had been arranged, and, therefore, it was not necessary to put it. It was not that the despatch was withheld from the Commission.

(*Sir Ralph Knox.*) Yes. I think that the India Office did not press that the despatch should be laid before Lord Northbrook's Commission.

16,018. (*Mr. Buchanan.*) The Secretary of State for War declined to allow it. I think we had Lord Northbrook's evidence in respect to that. However, what I wanted to ask about is this. Do not the paragraphs to which you refer at the end of that despatch raise just the questions that have been put to you by Mr. Courtney? That is to say, that, accepting the capitation rate for the cost to India—I am not quoting the words—of getting the British troops, there are other considerations which then should be taken into account in abatement of that charge?—Yes.

16,019. And the two main considerations which the Government of India in 1890 laid, in paragraphs 20 and 21, before the Home Government were these, that the question should be treated as an Imperial one?—Yes.

16,020. That is to say, that it should be treated as a question of the cost of the army of the empire; and in the next paragraph, 21, we have the statement made, "Millions of money have been spent on increasing the "army in India to provide for the security of India, "not against domestic enemies, or to prevent the "incursions of the warlike peoples of adjoining "countries, but to maintain the supremacy of British "power in the East"?—Yes.

16,021. Well, what I gather from your evidence is that, without going into details as to the merits of the 7*l.* 10*s.* rate, you are prepared to accept the capitation rate as a basis?—Yes.

16,022. And that then, you think, the Government might fairly take into consideration abatements from that capitation rate, upon the two grounds of India being part of the Empire, and of the Army being an Imperial army, which exists also to maintain the general British supremacy in the East?—Yes.

16,023. (*Chairman.*) But even if there were no Imperial policy in question, it would be India's interest to defend herself from foreign complications?—Yes. I think the question is whether in that case India would have the same sort of foreign complications to look out for that she now has.

16,024. What you mean is that, though she would have, like every other nation which has neighbours, complications, she is liable to extra complications owing to her connexion with Great Britain?—Quite so. I might put an extravagant assumption; supposing that India were a dependency of the United States instead of a dependency of Great Britain, would she have the same external liabilities that she might have now?

16,025. Quite so; but, even in that case, she would require some force to save herself from foreign aggression?—Some force; but I should think that in that case her army would be organised in a different way, and probably on a much less expensive footing.

16,026–7. India must not, for her own sake, be in a position to tempt foreign aggression?—Oh, certainly not.

16,028. Because the first people to suffer from foreign aggression would be the Indian subjects?—Yes.

16,029. There has been much discussion as to the terms upon which the two partners should assist each other with troops as occasion arises; would you wish to see any rules laid down which would prevent that difference of opinion between the two Governments which so constantly arises when a loan of troops is proposed?—I think it would be very desirable to have a distinct understanding and rules so far as it is possible to provide them. The practice, as the Commission knows, has been very diverse. We have had disputes about sums which were not really of very great magnitude, but disputes which have nevertheless led to very considerable bitterness and acrimony on both sides.

16,030. Have you seen the strong opinion expressed by Lord Northbrook in favour of an arrangement for this purpose between the two Governments?—I have seen it, yes.

16,031. In certain cases the Indian Government has been asked to contribute the ordinary pay and allowances of troops borrowed for foreign expeditions. Lord Northbrook suggests as a solution of that difficulty that such a charge should not be enforced without the consent of the Indian Government, that the contribution should only be made where Indian interests are concerned, and that a general definition of Indian interests should be laid down by agreement between the two Governments and embodied in a Treasury minute?—It strikes me that there might be some difficulty in allowing the Government which lends the troops to be the judge in its own case. That is, I understand, what Lord Northbrook proposed.

16,032. Subject to certain regulations?—Yes, the lending Government would no doubt wish to be perfectly fair, but I doubt whether it would get the credit of being fair. Lord Northbrook's other conditions seem to me to be reasonable enough. I understand them to be that India should be asked to co-operate only if Indian interests were distinctly involved, and that some attempt should be made to define what Indian interests are. I am bound to say that I see some difficulty in the attempt to define Indian interests, unless it were done by describing a geographical area outside of which Indian interests should not be supposed to extend. I should almost have been inclined to say that, if you are to have an arbitral tribunal of any kind, it should be for the arbitral tribunal to decide whether Indian interests were or were not involved.

16,033. I think Lord Northbrook's objection to that course was that it would be almost impossible for two supreme Governments to put a great question of policy into the hands of an arbitrator. I understood that to be his objection to the idea of referring that particular question, to what he afterwards suggested as a good tribunal for differences on administrative questions, namely, a judge?—I see the force of that objection. It is, of course, *primâ facie*, a somewhat anomalous thing that a question of this kind, which is really a question of policy, should be decided by anybody except the responsible Government; but I feel so strongly, as Lord Northbrook does, the desirability of putting an end to these discussions and controversies, that I would not allow an objection of that kind to stand in the way.

16,034. May I take it that if such a proposal as that of Lord Northbrook was likely to find favour with the two Governments it would have your approval, from your experience as Viceroy of India, as closing the question?—Yes, with that one exception, that I should prefer to have an arbitral tribunal rather than to allow the lending Government to decide.

16,035. Then, though you admit to a certain extent Lord Northbrook's objection to letting a judge, we will say, decide whether an Indian interest is concerned, the difficulty of leaving the final judgment to the lending Government is so great that you would face the difficulty of letting this judge decide upon

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a question of policy?—I do not very much like the idea of the judge. The judge might be a most excellent judge, but be might not have a very good judgment upon a point of that kind. What occurred to me was a small standing commission. I should think there ought to be no great difficulty in finding a commission of, say, three men familiar with public life, who would look at the question, not from a legal or technical point of view, but on broader grounds.

16,036. I do not know, Lord Lansdowne, whether you have had any share—any responsibility—in endeavouring to find arbitrators up to the present?—I can assure you I do not know anything which has given my chiefs, over a long period of time, greater anxiety and greater trouble than the finding of arbitrators?—There is another solution of the difficulty which occurred to me. You might have a small standing committee of the Cabinet, choosing ministers, of course, who had no connexion with the departments involved.

16,038. Is there not this difficulty that has to be avoided? When a proposal of this kind is under consideration and there comes the question of going to the House of Commons for a vote, is not the temptation very great to find that there is an Indian interest concerned?—Yes, I think it probably would be better to go outside the ministers for arbitrators.

16,039. But at all events, without tying yourself down to Lord Northbrook's plan, if no other method, or practicable method, was arrived at, would you sooner take that course than leave matters as they are now?—I would.

16,040. (*Mr. Buchanan.*) Your proposal, Lord Lansdowne, as far as I understand, is quite different from Lord Northbrook's. Lord Northbrook suggested that the lending Government should always determine whether its interests were involved, but you do not agree with that?—No; I said at first that that seemed to me to be the weak point in Lord Northbrook's proposal.

16,041. I did not quite understand what your proposal was. You would like to have a standing committee here?—Yes.

16,042. Which should determine which of the two parties should bear the charge, or what proportion of the charge, I suppose?—Yes.

16,043. And that that committee should be a permanent body?—A permanent body.

16,044. And would these questions be upon all occasions referred to them? Whenever a question arose of the employment of Indian troops outside the limits of India, would it be of necessity referred, in your idea, to this permanent body?—I should say the moment the two Governments disagreed.

16,045. If the two Governments could agree, it should not be referred to them?—It should not be referred.

16,046. But only in the case of disagreement?—I should hope that it might be possible to draw up some sort of agreement which would meet most of these cases; then you would call in your arbiters only when there was still a difference.

16,047. Would you, then, look forward to appointing arbiters only in special cases, or would you have some standing body to whom you could always appeal?—I would prefer to have a standing body.

16,048. Would you propose then to alter the clause in the Government of India Act, clause 55, that compels, as you know, the resolution of Parliament to be obtained whenever expenses are put upon India for the use of troops outside its frontiers?—I do not see why you should not follow that practice, nevertheless; Parliament would decide that the troops might be used, and the tribunal would have to decide upon what terms.

16,049. You would not give this tribunal any legislative sanction?—I suppose they would have to be appointed by Order in Council, or something of that sort.

16,050. You do not contemplate any alteration in the Government of India Act?—No.

16,051. Would we really then be much further forward? Would you not still have of necessity the same sort of discussions in the House of Lords and the House of Commons that we have now?—I should have thought that a great many people would have been satisfied if the case had been fairly put to a tribunal of that kind and the tribunal had decided.

16,052. It might strengthen the hands of the Government of the day in their cases before the Houses of Parliament; but is it not the objection at the present moment to the system, that practically in these questions, whatever the Government of the day determines is decided on party lines, whatever the opinions of individuals may be; the view of the Government is carried, and that is the cause, is it not, of the dissatisfaction with the system which at present exists?—Are you not assuming that the tribunal would be constituted on party lines? I am rather assuming the contrary. Perhaps it is a vain thing to hope for, as the Chairman evidently thinks, but I was assuming that your tribunal would consist of, say, three men of very high position and authority, whose opinions would command very general adhesion.

16,053. Well, I can imagine that, supposing them to be established by some legislative authority; but if you maintained section 55 as it at present exists, and there were an obligation of getting a resolution from the two Houses of Parliament in the future as in the past, you would not really have remedied the political difficulty that prevails?—I rather like the idea of the tribunal.

16,054–5. You think that it would have some effect in avoiding the kind of dissatisfaction which we are told has existed in India with regard to the decisions which have been taken?—Yes, I think so.

16,056. You think it really would, even though the Government of India Act was not altered, and there were still discussions in Parliament similar to those that we have had in the past? You still think that the existence of this tribunal and its having given its judgment would obviate a certain amount of dissatisfaction?—A certain amount; a considerable amount.

16,057. But do you not think it would be better, if it could be done, to make some legislative change that would give a legislative sanction to the decisions of a tribunal of this sort?—You might constitute it by Act of Parliament; I should have thought an Order in Council would have been sufficient.

16,058–9. Well, I will put it in another way; section 55 of the Government of India Act is the section by which, wherever forces of India are employed beyond the frontiers of India, it is necessary that a resolution of the Houses of Parliament shall be passed, in order to sanction any expenditure being put upon the revenues of India. Do you think that the operation of that section in the past has been satisfactory?—No; I think with Lord Northbrook that you want something besides.

16,060. Yes; but do you not think that, in order to have any complete remedy, that section should be altered?—I have not considered that point; I would rather not give evidence upon it.

16,061. Do you not think that an alteration of that is an essential part of any proposal to do away with the present difficulties?—It had not so struck me.

16,062. Is it not a fact that the dissatisfaction in India has been due to the decisions which have been given in the Houses of Parliament under that section?—I see nothing in this section which would create a difficulty in the way of resorting to the sort of procedure which I contemplate.

16,063. No, I do not suggest that for a moment; but, if that section is left unchanged, the old procedure must also continue as before, and the institution of your tribunal would improve matters only slightly?—I think the tribunal would improve matters.

16,064. Do you think that that section 55 of the Government of India Act has acted beneficially for the financial interests of India?—I think that, in spite of section 55, the practice has been irregular, and there have been constant and very regrettable controversies.

16,065–6. Yes; that is not quite what I asked. I asked whether on the whole financially that section had been favourable to India or the reverse?—Whether it had been a sufficient protection to India?

16,067. Yes?—I do not think it has.

16,068. But still you would leave it as it is; you would not propose to alter it?—I would leave it as it stands, but I would resort to the tribunal.

16,069. (*Chairman.*) Do I understand you, Lord Lansdowne, to think that the opinion of the tribunal would be so powerful that it would be practically a

guide to the Houses in voting their resolution; and, that the Houses would probably not go against the recommendation of such a tribunal as you speak of?—I think so. I think it would to some extent meet the argument that these cases are decided by the Members of the Government, who are thinking, not of the interests of India, but of the interests of this country, or of their departments.

16,070–1. (*Sir William Wedderburn.*) Do you think that the Judicial Committee of the Privy Council might be employed for this purpose; it is not a party body at all, and it bears a very high character in India, I think?—I indicated in an answer that I gave to the Chairman, that I was rather looking for a tribunal which would not be too legal in its composition. The Judicial Committee of the Privy Council might be open to that objection.

16,072. As I understand, the general procedure would be that general principles would be laid down by agreement?—Yes.

16,073. And then it would only be a question of interpreting that agreement, and applying it to a particular instance in which the Government of this country differed from the Government of India?—Yes.

16,074. Therefore the interpretation might be made in a judicial spirit, subject to the correction that might be brought about in Parliament, when the decision or recommendation of that tribunal was reported to Parliament?—Yes, I think that is quite worth considering.

16,075. And I understand that the real evil of the present system arises from the idea that it is an interested proposal that is put before Parliament?—That is how I understand it.

16,076–7. And that evil would be got rid of by the arbitrating tribunal; and further, supposing that the verdict was an unpractical suggestion, it would always be in the power of the Government to ask Parliament on their responsibility to over-ride even that, though Parliament would be naturally and reasonably led by the unprejudiced recommendation?—Certainly.

16,078. (*Mr. Mowbray.*) But would you contemplate the possibility of the Government over-riding the decision of this tribunal, if this tribunal were appointed at all?—I think if you had the tribunal you would be virtually bound to follow it.

16,079. (*Chairman.*) We are now confining ourselves merely to this question of the loan of troops. Do you not think there would be a considerable difficulty—the difficulty which I think Lord Northbrook saw—in referring that question to the Judicial Committee of the Privy Council? The Judicial Committee of the Privy Council acts as a judicial body, and would there not be considerable difficulty in bringing before a judicial body a question as to whether there was an Indian interest concerned?—I think I indicated pretty plainly that I preferred a tribunal which should not be a legal tribunal.

16,080. Lord Northbrook endeavoured to follow the lines that had already been laid down in despatches of the India Office, and, if you remember, he quoted Lord George Hamilton's despatch, to the effect that, "if the circumstances are such that the Government "supplying the troops has a distinct and special "interest in the matter at stake, then, although that "interest may be less strong than that of the Govern-"ment requiring assistance, the Government supply-"ing the troops should be content to bear, in one "form or another, a portion of the burden which the "operations involve." He afterwards quoted Lord Cross, who said, "In the event of any occasion "hereafter arising for the employment of Indian "troops on duties not directly attributable to the "requirements of your Government or at a distance "from India, no portion of the expense should be "charged against India without your Excellency's "concurrence." This was a despatch of 1887, I think. He was endeavouring to base himself upon propositions which had already emanated from the India Office, and he saw that the India Office at that time thought that practically the Indian Government should be an assenting party, or rather not a demurring party, before any charge should be established against India. That was the basis of Lord Northbrook's proposal, was it not?—I suppose so.

16,081. The Home Government did not agree, I think, to Lord Cross's proposal. Lord Cross proposed that the Indian Government were not to pay unless it concurred. Lord Northbrook merely went a little bit further, and said that the Indian Government should be the deciding power?—Yes.

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16,082. And I think Lord Northbrook was anxious to base himself upon the lines that had already been shadowed forth by the Indian Government?—Very likely.

16,083. You yourself do not quite like that idea of leaving it to that Government?—I see a difficulty in it.

16,084. The great objection to the tribunal is the actual difficulty that has occurred in finding men in political life that both parties can agree to, and, generally speaking, the decisions which have been made by arbitration have been objected to. I do not know anybody who is more likely to command the acceptance of both parties, than Lord Northbrook; he has always been looked upon as too favourable to India. Lord Rosebery's decision has been very much questioned, and a great number of people have been suggested as between the two Governments, and not accepted?—The difficulty of finding the three just men may be immense.

16,085. Your tribunal must consist, must it not, either of people of judicial standing or of men of the first rank in politics; there are no other people who would command confidence?—No, I should think not; I do not know that it would be absolutely necessary to look only to those two classes.

16,086. Are there any classes outside these who would command the public confidence? The public here does not understand anybody except the leaders of political opinion, does it?—You would look primarily to people of that sort; but I do not know that I would exclude others.

16,087. In such a tribunal as you speak of, you might take people of the second rank perhaps as second or third members, but the really motive power of it must be a man whom the public understands and knows?—Some man who has been in political life, but perhaps is no longer in political life, but is quite willing to take work of that sort, which would not make a very large demand upon his time.

16,088. There is this difficulty in referring the decision of a question of policy of this kind to an outside tribunal. The Government would be unwilling to make such a reference on a question of policy. A wide distinction must be drawn between administrative difficulties like the question of the 7*l.* 10*s.* capitation rate, which might perfectly well be given over to an arbitration, and this question of deciding whether a thing is an Indian interest or not?—I am afraid I do not quite grasp the question.

16,089. I will put it in another way: Lord Northbrook thought that a Government would not be willing to put any question of policy into the hands of an outsider?—Yes.

16,090–1. He thought that a question of administrative differences between two Governments might safely go to an outsider; the Governments could accept the decision of an outsider in the one but not the other; and therefore he endeavoured to devise a plan by which, where policy was involved, such as the definition of an Indian interest, it should be left to the Governments. That, I understood to be his position. I want to get your opinion upon it?—I agree that it is more difficult to refer questions of policy, which primarily concern the responsible Government of the day, to arbitration of that sort, than to refer minor points—whether, for example, a particular item is a fair charge for value received or not.

16,092. Well now, supposing a minute could be laid down that contained certain broad rules which defined Indian interests; in that case might not the two Governments say that, always acting on those rules and within those rules, the lending Government should have the deciding voice?—That is assuming that you could make your rules sufficiently precise and specific. What struck me was the great difficulty of framing rules that should be specific.

16,093. You have to apply them in some sense now, have you not? It is understood that India does not contribute unless there is an Indian interest, and somebody has to interpret on those occasions what the Indian interest is; only, there being no rules laid down, it is apt to be determined by the necessities of the

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hour?—Yes; these rules would be very difficult to draw.

(*Chairman.*) They would be.

16,094. (*Mr. Buchanan.*) You would propose that such rules as it would be possible to draw up, should be drawn up before this tribunal is constituted, would you not?—Yes, I suppose so.

16,095. (*Chairman.*) I think it would be essential that any such rules should be drawn up before the arrangement is made; the two Governments must see them?—First make your rules, and then see what tribunal you would require to carry them out.

16,096. (*Sir Ralph Knox.*) India may have an interest, although that interest may vary in extent, may it not, in various expeditions?—Certainly.

16,097. And that is the view that has been taken, in fact. In some cases India has paid the whole charge of the troops that have left her shores; in other cases India has paid half the charge, including extraordinary expenses, and in other cases India has merely gone on paying the ordinary pay of the troops that she would have paid in any case. That shows considerable discrimination in the charge which has been thrown upon India in reference to these expeditions, does it not?—Yes. The only question is whether the discrimination has been a proper discrimination.

16,098. (*Chairman.*) Whether it has been independent enough?—Yes.

16,099. Now passing on to the differences on questions of administration. That, I think, is an easier matter. You must remember well the long-protracted discussions which have taken place over adjustments between England and India; protracted discussions which became very nearly a scandal. I suppose your view of a tribunal would apply here. You would be anxious to see this question settled decidedly and quickly by such a tribunal as you have mentioned, would you not?—Certainly.

16,100. I think Lord Northbrook, when he spoke of a judge, was indicating the kind of person he required, that is to say, a man accustomed to weigh evidence and to base an opinion in a judicial spirit upon evidence; is not that the kind of man that is best fitted to express an opinion upon such questions as this? The two Departments, the Home Government and the Indian Government, would state their case to him, and on those he would judge, just as a judge decides upon a question brought before him; and a judge's decision generally commands confidence?—Are you now talking of cases involving differences as to charges, and things of that kind.

16,101. Yes, what I call administrative differences; for instance, shall India contribute, or in what proportion, to the consulates in China; is 7*l.* 10*s.* a fair capitation charge for the home charges here; is the 100,000*l.* now paid for a certain number of Indian ships a fair charge? These are what I call the adjustments of administrative differences They do not involve a policy?—I see much less objection to referring cases of that kind to a judge than I do to referring the other class of cases.

16,102. But at all events, may I not gather that you would share with Lord Northbrook the opinion that it is most desirable to bring these questions to a speedy and decisive conclusion?—Oh, yes.

16,103. It has been argued that the Imperial Government should contribute to the maintenance of Aden; on the other hand, it has been said that, if the Imperial Government maintain Gibraltar and Malta, which are garrisons of great importance to the Suez Canal, India should maintain Aden. Have you any opinion upon that point?—I think the arrangement under which India has to maintain Aden is a rough and ready arrangement which is not without its fairness. What I think has made India a little restless in connexion with its liabilities on account of Aden is the fact that so many questions have arisen in regions not very far from Aden, such as the Somali coast and places of that kind, and the Indian Government has a feeling that it does not want to be involved in those sort of difficulties; but, as regards Aden itself, I see no great objection to leaving matters as they are.

16,104. It has also been said that the Imperial Government does not sufficiently consult the Indian Government on changes affecting the two Governments. On the other hand, not many cases have been adduced in which the India Office, at least, were not informed; may I ask if you had any reason to complain on that score during your tenure of power?—I cannot give you chapter and verse; but I know there were some cases in which the Government of India thought the changes had been sprung upon it without sufficient consultation. I know that the War Office is extremely anxious that in future there should be no complaint on that score, and I think it is quite clear that India has a right to have the fullest opportunity of saying her say before changes are introduced.

16,105. But you think there has been some reason for complaint on the part of the Government of India?—I think there could scarcely have been so much smoke without a little fire.

16,106. (*Sir Ralph Knox.*) You distinguish between the Government of India and the Secretary of State for India, in that case?—I do; I am speaking of the Government of India.

16,107. (*Chairman.*) Therefore it may be that the Secretary of State here was consulted, and did not consult the Government of India?—Yes; I could not say, if the omission took place, who was responsible for it.

(*Mr. Buchanan.*) The Government of India say that in some cases the Secretary of State was not consulted; that is their grievance, is it not?

(*Chairman.*) I think the list that they put in was not quite a trustworthy list in all respects.

(*Mr. Buchanan.*) Well, the War Office witness said it was not trustworthy.

(*Sir Ralph Knox.*) I am going to put in a statement with regard to these cases.

16,108. (*Chairman.*) Are there any points to which you would wish to draw our attention?—No.

16,109. (*Mr. Buchanan.*) About Aden, is not the expense of Aden just one of those cases which under your despatch of 1890 might fairly be taken into consideration as an abatement of military charge against India; that is, assuming that India continues to be responsible for Aden, ought that not to be counted as one of these Imperial considerations which are mentioned?—Yes; I think it might be.

16,110. Aden is an Imperial fortress as much as an Indian one, is it not?—Certainly.

16,111. And, in the view that the military forces of India are part of our Imperial military forces, the Imperial authority might fairly be called upon to pay part of the charge, or, at any rate, to make an abatement against India instead of charging the full charge against India?—To take it into consideration.

16,112-3. (*Sir William Wedderburn.*) I wish to ask one or two questions about the position of the members of the Viceroy's Council. The different members in charge of departments are very much interested, are they not, in increasing the efficiency of the department under their charge? Very anxious to get additional expenditure to make their departments more efficient?—They certainly would be anxious to increase the efficiency of their own departments.

16,114. That is the natural feeling?—Yes.

16,115. And the member in charge of the Financial Dapartment is the one who rather comes into collision with all of them upon that particular point, does he not?—Yes; he may come into collision with them; it is his business to exercise a supervision over them all.

16,116. Then he is, so to say, one against a good number?—If you mean by that that the many combine against the one, I should not say that; but he is, just as the Chancellor of the Exchequer is here, the one Minister whose business it is specially to watch the financial administration of every department.

16,117. And is there any guarantee that the member in charge of the Financial Department shall be strong and independent, and that he will really defend the financial interests of the Government?—I do not quite understand what you mean by a guarantee.

16,118. He is appointed very often from the permanent Civil Service of India?—Yes.

16,119. And he hopes for promotion; he is eligible for a Lieutenant-Governorship?—Yes.

16,120. Therefore, it is his personal interest not to oppose the Viceroy; for example, supposing the Viceroy wishes expenditure, have we any guarantee that the Finance Minister will be strong enough and independent enough to oppose the Viceroy?—I think so; the man who is put in a position of that kind is a man who

has worked his way up to the top of the Civil Service, and his first idea, while he is in the position of Finance Member, will be to make his own financial administration a success. I cannot for a moment bring myself to believe that he would sacrifice the interests of his own financial administration on the chance that by so doing he would ingratiate himself with the Viceroy, and improve his prospects of obtaining some other appointment thereafter.

16,121. I refer to that, because a good deal of stress is laid upon that point in certain correspondence with the Government, printed in the Appendix, on the subject of the necessity of complete independence through no hope of promotion or fear of disfavour?—My answer to that is, that I do not think that those motives, which I think would be unworthy motives, would be allowed by the Finance Minister to weigh with him.

16,122. In the case of judges we arrange that they should have no possible promotion, in order that they may not in any way be suspected of their interest clashing with their duty?—It is obvious that the same argument would apply to other members of the Council. All the other members of the Council have a chance of going to high appointments after they leave the Viceroy's Council, and I should be very sorry to assume that they, all of them, or any of them, were likely to be too accommodating, merely because they thought that by so doing they would improve their own chance of promotion.

16,123. No; but, to a certain extent, the interest of the Finance Minister may come into collision with his duty, if he has to oppose a particular policy of the Viceroy?—I do not think that there is anything in that.

(*Sir William Wedderburn.*) I do not wish to press it, but I only wish to call attention to it.

(*Sir Ralph Knox.*) It is equally a reflection upon the Viceroy, is it not?

(*Chairman.*) It is not quite correct to say that the judges here have no promotion; they may become Lords Justices of Appeal, Lord Chief Justice, and so forth.

(*Mr. Mowbray.*) And Lords of Appeal in Ordinary.

(*Chairman.*) There is a considerable amount of promotion for the judges.

(*Mr. Naoroji.*) It is all in the judicial line; all in the same line.

16,124. (*Sir William Wedderburn.*) Then what I rather wished to get at was what assurance we have that the Finance Minister will really be a representative of economy, because he appears to be the only person whose business it is to try and check expenditure; and I do not see anything to prevent an official being appointed Finance Minister who has not got that rugged independence which is necessary in order to fight those to whom he looks for promotion; that is my point?—The only guarantee you have is that you look round and see who there is with financial experience whose career points to him as likely to fill the appointment best; you appoint him, and you expect him to do his duty.

16,125. Is there any other interest distinctly in favour of economy in the administration of India, except the unwillingness of the taxpayers to be taxed for this expenditure?—I think the Government of India, as a whole, is distinctly interested in the observance of economy. Nothing, I imagine, would more add to the reputation of a Viceroy than that he had left the finances of the country in good order. That would be a much greater feather in his cap than almost any other feather that you can conceive.

16,126. The taxpayers have a certain representation through independent members in the Viceroy's Council, I think?—Yes.

16,127. A sort of independent representation?—Yes; that change was made while I was in India.

16,128. I think you approved of that representation?—It was made on my recommendation.

16,129. And did you find that the result was to give a certain amount of useful influence towards economy?—I think so. The Budget was always discussed in the Legislative Council, and the debate which took place afforded a very valuable opportunity for men, whose position was certainly independent, to criticise the financial policy of the Government. You are aware, of course, that the members of the Legislative Council, the additional members, although they are not elected exactly in our sense of the word "election," are nominated by the Viceroy on the recommendation of certain constituencies which were devised for that particular purpose. Their position is, therefore, a very independent position, and some of the gentlemen who have been sent up to serve on the Legislative Council have been men of very great independence, and very wide popular sympathies.

16,130. Would you be opposed to allowing the independent members to move amendments at the time of the Budget, and divide upon those amendments?—Yes, I should.

16,131. You would not approve of that?—I should be opposed to it.

16,132. But would not that be a convenient way of formally, so to say, focussing public opinion, and having the Budget more definitely discussed on points in which public opinion differs from the propositions of the Government at that time?—The proposals contained in the budget must be made on the responsibility of the Government, and I do not think it would do to expose the Government to the risk of having an adverse vote on its own budget. I think the utmost that you can do is to afford opportunities for criticism. I think criticism is extremely valuable, because, if it is sound criticism, it is noticed, noticed in India and noticed in this country, and it certainly produces its effect. It may be that it may produce no effect upon that particular Budget, but if the criticism is fair and able it will probably produce an effect upon future Budgets.

16,133-4. I have no doubt that you have often considered the discussions that arise upon what is called the Indian Budget, that is to say, the East India Accounts in the House of Commons?—I have read them in the papers.

16,135. I think you will consider that they are not a satisfactory mode of dealing with the finances of India?—I am afraid the gentlemen of the House of Commons do not always take the close interest that they might in the finances of India.

16,136. Could you suggest any way in which there could be a more well-informed opinion in the House of Commons, and a more profitable discussion of these very important financial questions?—I am afraid I cannot.

16,137. Do you think that, if a select committee of those who have some experience of India, for example, were appointed as soon as the Budget arrives—a very long period will elapse before the discussion comes on at the end of the session—and considered these various questions, it would tend to a more well-informed debate, when the time comes on, if they reported to the House upon the various matters?—I have never been in the House of Commons, and I am not very familiar with its procedure, and I should prefer not to make a suggestion for what is, after all, purely a question of House of Commons procedure.

16,138. (*Mr. Naoroji.*) You explained that the character of the Executive Council of the Viceroy is so high that it must depend upon them, and it is not necessary that the voice of the people should be heard there, or that even the independent members of the Council should have the power of proposing any amendment. Now my question is this, here certainly the Government consists of men of the highest character that can be found, and yet the people here would not trust to them the entire settlement of the Budget, but would discuss every point in the Budget, and have any alteration made, as they would like to be done. Why is not the Government here entrusted in the same manner as the Government of India is trusted or should be trusted in India?—I am afraid, Mr. Naoroji, that raises the whole question whether you can apply to India, at the present time, modes of government which are suitable to this country and accepted in this country. I scarcely think that it would be desirable that I should, in my evidence, attempt to go into points of that sort.

16,139. Is it not important that under the British rule every attempt should be made that the people of India should be raised to the same political condition as the people are here, because that would be to the great advantage of the British supremacy there or British rule, otherwise if they are left in the same condition as the old despotism of the Oriental governments, there is no particular benefit derived by being under the rule, and that has been for 150 years now?—I would venture

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to submit that that is not a point that the Commission is engaged in investigating.

(*Chairman.*) I think that hardly falls within the reference.

(*Mr. Naoroji.*) No; because the explanation was given in regard to the Government of India that they were trusted in every way, that they are men of high character, and that therefore they do what is right only. Well, then, the men of high character in the Government here also do what is right. The question arose from that answer, otherwise I would not have asked it.

16,140. (*Sir Donald Stewart.*) It has been suggested that the Financial Member of Council has not sufficient opportunity of communicating directly with the Secretary of State when he holds different views from those of the Government of the day, the Governor-General in Council; is it not the case that under the existing system the Financial Member might have the whole of his views in full detail placed before the Secretary of State in a secret despatch which is not liable to publication?—That would certainly be possible.

16,141. (*Sir Ralph Knox.*) Your Lordship is aware that in the old East India Company's time the Company paid, as representing the home charges for the forces in India, the whole cost of the depôts in existence in this country, did they not?—I believe that is so.

16,142. And that they also had an institution at Addiscombe for the training and education of officers for the service in India. You are aware that that was the case?—Yes.

16,143. And that under that arrangement, excluding the educational establishments, the East India Company paid at least 200,000*l.* a year for the expense of the English depôts and the Warley depôt?—I have no doubt your figures are unimpeachable.

16,144. And under the Warley depôt system the recruits underwent practically no training at all. You are aware that that was the system of the East India depôt?—Yes.

16,145. Well, that was for a force of something like 35,000 or 36,000 men; for the present force of 70,000 men, developed as it has been and increased by forces which require very high training indeed—I allude especially to the mounted forces of artillery—and also having regard to the increase of pay, does 540,000*l.* appear to you an excessive charge as compared with what was paid in former times?—I think I have stated in my evidence that that seemed to me to be a very reasonable point of departure, but that I thought it was fair to consider whether for other reasons India was not entitled to some abatement from the full demand.

16,146. You are aware that the basis of the charge, say, for an infantry soldier, is that India pays merely the expense, or a portion of the expense, of six months' training; you are aware that that is the basis?—Yes, and rather more in some cases—nine months.

16,147. Nine months for the mounted forces?—For the mounted forces, yes.

16,148. Six months for the infantry. You are aware that the Indian recruit when raised in India has got to train at his local battalion for at least a twelvemonth before he is sent to his service battalion; we have had that in evidence?—I have no doubt that is so.

16,149. To make a charge based upon the maintenance of a soldier for six months would appear to be a liberal treatment in charging India, and to show some reduction as compared with the actual cost of training the man, do you not think so?—I quite understand that your 540,000*l.* does not include everything which you think might be charged, if the full pound of flesh was to be exacted.

16,150. Quite so; then you admit that the present charge is a discounted charge as compared with the actual cost on the Army Estimates?—Yes; the question is to what extent it is discounted.

16,151. Your view is that the point should be considered whether that abatement is the proper abatement that should be made, and whether some further concession could not be made?—Yes.

16,152. (*Mr. Mowbray.*) And made, as I understand, on what you would consider Imperial grounds?—Distinctly; the grounds described in paragraph 21 of the 1890 despatch.

16,153–5. (*Sir James Peile.*) On the point that the Viceroy sees each of the departmental secretaries for business once a week. I think Lord Welby said that that seemed to him a singular arrangement.

(*Chairman.*) It is novel to our ideas in this country.

16,156. (*Sir James Peile.*) Yes; I wanted to bring out the reason of that. The business of any department comprises business of various degrees of importance, does it not?—Yes.

16,157. The secretary brings the whole of the business before the member in charge?—Yes.

16,158. Such of the business as is of small importance, or routine work, the member in charge disposes of on his own authority?—Yes.

16,159. But any cases which are of importance or marks to go to the Viceroy?—Yes, he should.

16,160. Or the secretary himself may take to it Viceroy any papers that he thinks the Viceroy should s —Yes; the secretary may think that a particular c which the honourable member has not marked to Viceroy is so important that the Viceroy should see and then he takes it to him; but outside of that I thi the idea has always been that it was very desirab that the Viceroy should personally know and have a opportunity of conferring with the secretaries. One reason for that seems to me to be this: the member of Council may have just taken up his office, and may, in the early days of his tenure, not be very familiar with the position of affairs in his own department. The secretary, who does know all that, might, under such circumstances, very likely look at a good many matters from a point of view differing somewhat from that of the honourable member.

16,161. Then in the further course of business the Viceroy, if he agrees with the member, disposes of the matter then and there at once?—Yes.

16,162. But if he disagrees, or considers it a very important case, he marks it for circulation and Council, does he not?—Yes.

16,163. And whenever it is a case affecting the Financial Department expenditure, the rule is that the papers go to the Financial Member before they are placed before the Council. Before they are circulated to the Council he has them specially referred to him, has he not?—Yes, that is right.

16,164. (*Mr. Buchanan.*) With reference to Sir Ralph Knox's question, the considerations which were urged by him with regard to the period of recruiting, were all allowed for in fixing the capitation rate?—Yes, that is the way in which I understand that you arrive at a fair capitation rate.

16,165. And all those considerations have been allowed for when you fixed that capitation rate?—Yes.

16,166. So that any abatement due upon that ground has already been allowed for in the capitation rate?—Yes, that is how I look at it.

16,167. And the contention of your 1890 despatch is that, after that, there are certain larger considerations, political and other considerations, upon which India may have a fair claim to abatement, or at any rate, to consideration?—I do not know whether we brought them all clearly out in the despatch. That was in my mind when I gave my answers in chief.

16,168. And it should be borne in mind that in the despatch the capitation rate was taken at 5*l.* 10*s.* per head, and not 7*l.* 10*s.*?—Yes.

The witness withdrew.

Adjourned till Thursday next at 11 a.m.

At the India Office, S.W.

THIRTY-NINTH DAY.

Thursday, 18th March 1897.

PRESENT:

THE LORD WELBY, G.C.B. (CHAIRMAN, PRESIDING).

The Right Hon. LEONARD COURTNEY, M.P.
Sir WILLIAM WEDDERBURN, Bart., M.P.
Field-Marshal Sir DONALD STEWART, Bart., G.C.B., G.C.S.I.
Sir E. W. HAMILTON, K.C.B.
Sir RALPH KNOX, K.C.B.
Sir JAMES PEILE, K.C.S.I.
Mr. T. R. BUCHANAN, M.P.
Mr. DADABHAI NAOROJI.
Mr. R. G. C. MOWBRAY.

Mr. COLIN G. CAMPBELL, *Secretary*.

The Most Honourable the Marquis of RIPON, K.G., G.C.S.I., C.I.E., called in and examined.

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16,169–70. (*Chairman.*) Would you tell us the posts you have held in India and in England, connected either with the India Office or the War Office?—I will take them in chronological order. I was Under Secretary for War for some time, and I was then transferred for a period of about six months, when Mr. Sidney Herbert became a peer, to be Under Secretary for India. I then returned to the War Office for a short time as Under Secretary; and on the death of Sir George Lewis I became Secretary of State. Then in the year 1866, when the late Lord Halifax had concussion of the brain, which obliged him to resign, I became Secretary of State for India; I filled that office for the first six months of 1866; and in the year 1880, on the formation of Mr. Gladstone's Government, I was appointed Viceroy and Governor-General of India. I arrived in India at the end of May 1880, and I left India at the end of December 1884. That is my experience in regard to these two offices; but I should like just to say, in connexion with my official relations to India, that I left India at the end of 1884. It is, therefore, a good many years since I was in India. Now, Sir John Strachey, in a book which he published, stated that the India of Lord Ripon differed as much from the India of Lord Ellenborough as the England of Queen Victoria differed from the England of Queen Elizabeth. That will give an idea of the rate of change which has been going on in India, which probably has continued since I left; and all that I can speak to is the India that I knew from the years 1880 to 1884.

16,171. I think the Commission quite understand that changes have taken place in India, and recognise that a considerable time has elapsed since you were in immediate touch with Indian affairs. May I ask further, were you not for a short time First Lord of the Admiralty?—Yes, in Mr. Gladstone's Government of 1886.

16,172. Have you seen the evidence of Lord Northbrook, Lord Cromer, Sir David Barbour, and Sir Auckland Colvin?—Yes

16,173. We have had evidence on the power and position of the Finance Member of Council in India. Sir David Barbour and Sir Auckland Colvin think his powers theoretically complete, but not so complete in actual exercise?—My view of that would be that his powers are complete so far as is possible in the organisation of the government of India. As has been pointed out, I think, by previous witnesses, no Finance Member of Council in India could hold precisely the same powerful position that is held by the Chancellor of the Exchequer in this country. The reasons for that are obvious, and I need not take up your time dilating upon them; but, apart from that, I think myself that the Finance Member of Council's position is in practice very much what it is in theory. But, of course, in practice it depends greatly upon the man himself, upon the Viceroy with whom he has to deal, and upon the other Members of Council.

16,174–5. Then you would, I think, agree with Sir D. Barbour and Sir A. Colvin when they say that, if the Viceroy is economical, the Finance Member has nothing to desire. If, on the other hand, the Viceroy is not economical, the position of the Finance Member is weak?—It is weaker. That I should be prepared to say. I do not think I should be prepared to say from my own experience that his position is weak. It so happens that I had no differences of opinion upon questions of economy with any of the gentlemen who were Finance Members of Council in my time. I began with Sir John Strachey. He was there for a short time, until he was succeeded by Sir Evelyn Baring, the present Lord Cromer; and, when he went to Egypt, he was followed by Sir Auckland Colvin. We always got on very well, and I gather from the evidence, both of Lord Cromer and of Sir Auckland Colvin, that they had no complaint to make of any want of support on my part during the time that I held the office of Viceroy.

16,176. I think both Sir David Barbour and Sir Auckland Colvin did lay stress upon the view that in the case of an uneconomical Viceroy, I mean a Viceroy who lays great stress upon the policy which he is carrying out, and in consequence, perhaps, does not lay so much stress upon the financial result of that policy, the Finance Member is weak; but I gather from your Lordship that you would hardly say that, even in that case, he was weak. You would, I think, say that he was weaker than under an economical Viceroy?—That is what I say; but you touch there a point which is the real essence of the question. It is the question of policy, and it has often been said in one shape or another that policy determines expenditure. It does so eminently in India.

16,177. Both Sir David Barbour and Sir Auckland Colvin think it would be well to strengthen the position of the Finance Member; but they admit the difficulty of doing so, nor have they any practical suggestions to make which would effect their object, unless, indeed, it were possible to obtain for him more active support from the Secretary of State. According to your experience did the position of the Finance Member need such strengthening?—No, I do not think it did in my time: and I think that the evidence both of Lord Cromer and Sir Auckland Colvin, in regard to the earlier part of his administration as Finance Member of Council, tends in the same direction.

16,178. On that point, I think, Lord Northbrook, Lord Lansdowne, and Lord Cromer all admit that the Finance Member is powerful, or not, according as he is supported, or not supported, by the Viceroy. They think, however, that that is an inevitable condition of government in India. Lord Cromer was satisfied with the power he possessed as Finance Member, and neither he, nor Lord Northbrook, nor Lord Lansdowne supported on this point the views of Sir David Barbour and Sir Auckland Colvin?—I am inclined to agree on

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that point with Lord Cromer. It does depend mainly upon the man himself and upon the Viceroy that he has to deal with; but, Lord Welby, you know very well that all Chancellors of the Exchequer in this country are not equally strong, and are not equally able to guide the decisions of their Cabinets.

16,179. Of course the Chancellor of the Exchequer at home has always a powerful support behind him in Parliament?—Certainly; and that is the distinguishing point between his position and that of the Finance Member of Council.

16,180. And I gather that you agree with Lord Lansdowne, and Lord Northbrook, and Lord Cromer, in thinking that a good deal depends upon the men themselves?—Certainly. An immense deal depends upon them.

16,181. (*Mr. Courtney*). Is there not this distinction between the position of the Finance Ministers in the two countries? At home the Prime Minister chooses his colleagues, and the Chancellor of the Exchequer is selected by him as being imbued with the same policy and necessarily a support to himself. In India the Finance Minister may have been appointed at a totally different time from the Viceroy, and there may be a different policy at home?—Certainly, that is perfectly true.

16,182. (*Chairman.*) Sir David Barbour and Sir Auckland Colvin seemed to wish that more general attention could be given in the Council to the subject of finance, and to think that the members confined themselves too much to their special departmental duties. Would you concur with that view, or would you agree with Lord Cromer, who dissented from it?—I should agree with Lord Cromer. You must remember that Lord Cromer and I are speaking of the same time; the other witnesses may have been speaking of other times of which I know nothing; but I should agree with Lord Cromer. I do not think that the members of the Viceroy's Council in India are too much absorbed in their departmental business. Each of them has a department to look after, but my experience was that each and all of them gave close general attention to all the public questions that came before them. You must recollect that a great many more questions from all departments come before the Governor-General in Council in India than come before the Cabinet here. Of course, there are great differences in Cabinets in that respect. Some are much more departmental, by which I mean leave more to the departmental Minister than others; but in India all important business must come before the Governor-General in Council; and I have always found that all my colleagues made themselves generally acquainted with the questions that came before them, and were prepared to discuss them in all their aspects. Of course I do not mean to say that a Member of Council in charge of a particular department was not anxious to look after the interests of his Department, or that, if he wanted money to carry out his views, he was not anxious to get it; but I do think that, so far as the general questions that you have asked me about are concerned, the Members of Council in my time gave close attention to general questions, and to financial questions among them.

16,183. Your experience, therefore, would be that the Finance Member might not only look for support from the Viceroy, but also fairly for support from among his own colleagues in the Council?—For general support; yes. At the same time, this support would be subject, as I said before, to the member in charge of the particular department pressing for expenditure to which the Financial Member might object.

16,184. Quite so; but in that case the Finance Member might look for the support of other members who were not particularly interested in that particular branch of expenditure?—Quite so.

16,185. I presume it would be generally admitted that sound finance is specially required in India, and that there is a greater danger from deficits in that country than there is, for example, here?—No doubt, very much in consequence of the difficulty of devising new sources of taxation, and also because you have not the same almost unlimited power of raising loans as you have in this country.

16,186. Did the Council, in your time, appreciate the gravity of the financial question, and would you say that the warning or representation of the Finance Member received the attention due to them?—I think that the gravity of the financial question was undoubtedly appreciated by the Government of which I was the head; and I am quite sure that all the representations of the Finance Member received the utmost attention from the Council of the Governor-General. I claim for the Government with which I was connected, that we were an economical Government; we reduced expenditure and we reduced taxation.

16,187. Your time was a time, to a certain extent, of financial anxiety, was it not, for India had only just passed through the crisis of the Afghan War. Were you at that time at all anxious about the future of Indian Finance?—When I went out to India in 1880 there was an impression in this country that the condition of Indian Finance was extremely bad, and that the miscalculations which had been made in respect of the expenditure in regard to the Afghan War indicated a very unsound condition of financial affairs. When I arrived in India, I came to the conclusion that that alarm was much exaggerated. There had been undoubtedly a miscalculation, which looked serious, in regard to the cost of the Afghan War; but there was no such alarming condition of Indian Finance, as, I think, was supposed to exist by those whom I left behind me in England. You must be always anxious about finance in India, partly for the reason that the revenue in India increases very slowly, and a considerable portion of it—that, for instance, derived from opium—is very uncertain; and besides that we had already beginning in my time those difficulties brought about by the state of exchange, which have become latterly so great a financial evil in India; and, as I have said, the difficulty of finding new sources of taxation, without resorting to measures that might be oppressive, is always present. The finances of India are inelastic, and you have little to look to in the way of increase from ordinary taxation.

16,188. No doubt the revenue of India may be said, in a sense, to be inelastic; but I think we have been rather struck with the fact that for a good many years the elasticity has been sufficient to compare favourably with a very great many countries?—But you have nothing of the leaps and bounds of which we heard some years ago in regard to English finance.

16,189. No. At all events the figures show that during the time of which we are speaking a spirit of economy prevailed. There were very few frontier expeditions, and also, I think, Army expenditure was reduced?—The Government of India, at that time, went very carefully into the whole question of the organisation of the Indian Army, and, as the result of their examination, succeeded in reducing the military expenditure. With regard to frontier expeditions, there was only one expedition of any importance. There were a few little raids among the Lushais and other tribes on the north-eastern frontier; but the only important frontier expedition in which we were engaged was one in the Waziri country, undertaken with great reluctance, but with the conviction of its necessity. It was completely successful, and there may practically be said to have been no fighting at all.

16,190. Sir Auckland Colvin seems to think that a change occurred after 1885, which made the task of the Finance Member more difficult. As far as you have followed the course of Indian administration since the time when you were Viceroy, have you been aware of any such change?—That is a question I would rather not answer. I do not want to enter into any comparison between myself and my successors, and I would rather speak for my own time. You have had the evidence before you, and you must know the state of things better than I do.

16,191. I ventured to put that question to you in order to bring out, if possible, whether there was any reason for a large increase of expenditure at that time, which might account for the apparent change in the views of the Finance Member. We had from Lord Cromer an opinion, supported by Lord Northbrook and yourself, that the position of the Finance Member was previously strong enough. We had distinctly from Sir David Barbour and Sir Auckland Colvin an expression of great doubt upon that point. I was anxious to know whether there was any reason for thinking that there had been such a change of policy, leading to financial consequences, in the interval as to justify such doubts on the part of these later Finance Members?—No doubt there has been a more forward policy since 1885 than there was before. Personally, I have never been in favour of a forward policy; and, while I was connected with the Government of India, there was no forward policy. For various reasons which I do not want to

enter into, because I am not the person to speak to them, the military expenditure in India has increased since my time.

16,192. That, no doubt, would account in a great measure for the somewhat different tone which has been taken by the modern Financial Members, would it not?—I should think it would. I come back to what I said before, it is a question of policy.

16,193. Of course, in commenting upon increase of expenditure, we have to bear in mind a point to which your lordship alluded just now; namely, the very disturbing effect of the fall in the rupee?—Certainly.

16,194. And it has been very much more marked since your time. In your time the exchange was only just beginning to fall?—The fall in exchange had well begun in my time, but the rupee had not fallen to the extent that it has fallen now. It stands in the forefront of every consideration of Indian finance at the present time.

16,195. Yes; it began to fall in 1873, did it not?—I believe so; it was going on in my time, and it was getting worse before I left.

16,196. Do you think that the Finance Member had sufficiently early intimation of the intention to adopt measures involving expenditure, to enable him to place before the Viceroy the financial effect of such measures in time for the representation to be effectual?—I think, as far as my experience goes, he had. I can quite conceive that a sudden emergency might arise, in which it would be impossible to give him, or anybody else, much previous knowledge of a policy which might lead to expenditure; but in my time, I think, no such occasion arose. As I have said, there was but one important frontier expedition, which was very carefully considered by Council and by all the Members of Council, including the Finance Member. You may take a case, however, which formed an exception to that general rule. In the case of the Egyptian Expedition the Finance Member had no information at all, until the occasion arose, that any demand would be made upon India to send troops to Egypt or to take any part in the expenditure.

16,197. And in that case the demand came from this country?—Quite so, that is why the Finance Member did not know.

16,198. Of course, when the demand reached the Governor-General, the Finance Minister was in as good a position as the Governor-General from that moment to remonstrate, if he thought the demand deserving of remonstrance?—Certainly.

16,199. Lord Cromer pointed out that warnings of financial danger must in many cases take place in the initial stage of the proceedings if they are to be effectual. Do you think the Finance Minister ever found that the Government was committed to measures before he had the opportunity of commenting upon them?—Not in my time, with the exception that I have mentioned.

16,200. That danger which Lord Cromer pointed out could really only occur in the case of foreign complications, or in the case of a frontier expedition?—Yes.

16,201. In any case, like changes of organisation of course, the Finance Member would have plenty of time to remonstrate or to warn the Government before they were finally adopted?—That does not apply altogether to military expenditure. There have been—and I shall have occasion to mention the matter presently—cases, in regard to military expenditure, arising from changes in organisation at home, which have not been communicated at all to the Government of India.

16,202. There, again, we come to the question of charges made at home, or demands made from home?—Yes.

16,203. Sir David Barbour would like the Finance Member to be able to place somewhat greater reliance on the support of the Secretary of State, should he at any time seriously differ from the Viceroy on a financial question. Putting aside for a moment the obvious difficulty of reducing the suggestion to practice, do you think that the Secretary of State could in such cases make himself a more effective critic than he does at present?—That is not a very easy question to answer, I am afraid. I think that the tendency of some of the answers that have been given to you, and also of some of the questions that have been put to witnesses, displays a greater confidence in the Secretary of State for India in Council as a check upon Indian Finance than, I am afraid, I possess.

16,204. The difficulty, of course, is that the Secretary of State is at a distance from the spot, and might base his criticism upon insufficient evidence?—Certainly, that is quite possible.

16,205. And, again, in many cases his criticism might come too late, might it not?—Certainly. As I have said, in my opinion the question of finance in India is mainly a question of policy. The Secretary of State would be informed, of course, by the Viceroy of any important questions involving policy; even a frontier expedition, if it was of importance, would not be undertaken without telegraphic communication, at all events, with the Secretary of State. That is one of the reasons why I do not think the Finance Member would find strong support in the Secretary of State at home, because all questions of policy must go, in the first instance, to the Secretary of State at home, and be determined by him. The Finance Minister, if he objected upon financial grounds, would probably find that the policy to which he had objected had been approved by the Secretary of State at home.

16,206. But your Lordship has pointed out that, in the case of a frontier expedition of any importance, the assent of the Secretary of State at home would probably be necessary before the Government was committed to the expedition, "at all events," I think you added, "by telegraph." In the case of the assent of the Secretary of State being sought by telegraph, the Finance Minister would not have much opportunity of letting the Secretary of State know his objections?—Certainly not. That is quite true.

16,207. The Finance Member has the power of recording a dissent from the decision of the Council, and in that case his dissent goes before the Secretary of State, does it not?—Yes.

16,208. That, however, is a formal act, and he must be prepared for the publication of his dissent; can he express his views in such a case as freely and fully as might be desirable?—I should have thought he could. I should have thought, indeed, that if he had a strong opinion on the subject he was bound to do so. It is possible he might have some grounds for his opinion which he thought it not advisable, as a matter of public policy, to lay before the public; but it is quite in the power of the Secretary of State to lay his dissent before the Houses of Parliament in whole or in part; and I, myself, see no reason why the Financial Member should not express his views as freely as he pleases in the dissent, which is the constitutional mode of expressing them. I can quite understand a man not liking to dissent; and, of course, if any Member of Council was always writing dissents, and sending them home to the Secretary of State, he would be a very disagreeable colleague, and his other colleagues would not much admire him; but upon important points he has the right and, I think, the duty to record his dissent. That dissent is an official document which remains and which is placed upon record.

16,209. (*Sir Ralph Knox.*) There would be nothing invidious in such a course as to require the financial view always to be expressed on any proposed change, and to require from the Finance Minister the expression of his distinct opinion as regards the financial results of any measure that was proposed?—No, I do not see any objection.

16,210. That is to say, the financial view of any proposal would be presented as a matter of course?—Of course there are many different kinds of proposals. If you made that an iron rule, there would be a great many occasions upon which it would be the purest matter of form.

16,211. Quite so?—But I see no other objection to it.

16,212. But there would be nothing invidious if the financial view were always furnished?—Not the least, so far as I can see.

16,213. On the other hand, there would be something invidious in such an expression of opinion if it was special and exceptional?—I do not think that I should apply the word "invidious" to it. I always looked upon it that my colleagues had a perfect constitutional right to record their opinions and dissent, and I never thought of objecting or of complaining of any of my colleagues doing anything of the kind. If a man put

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something into his dissent which I thought misrepresented opinions, or was discourteous, anything of that sort, I should have spoken to him and asked him to take it out, and I am quite sure all the gentlemen I have acted with would always most willingly have listened to any representation of that kind. But I do not think myself that there is anything invidious in recording a dissent from the opinion of the majority. I was once beaten by my Council, and I recorded my dissent; and there I left it. I do not think any of them thought there was anything invidious in it.

16,214. (*Mr. Buchanan.*) But these dissents are unusual, are they not?—Yes, they are unusual, no doubt, and I hope that they always will be unusual.

16,215. (*Chairman.*) A dissent which has to be officially recorded in the India Office, and which may be produced by Secretary of State, is a very formal method of recording on the part of the Finance Member the reasons which induced him to dissent; are there not many cases in which the Finance Member would hesitate to take that formal step, yet would be very glad that his views, his apprehensions, should be made known through the Viceroy to the Secretary of State in a less formal manner, very much as in diplomacy, as I have always understood, there are letters which pass between the diplomate and the Secretary of State which are of an unofficial character?—Certainly.

16,216. Such letters convey information which it cannot be desirable to put upon record; and is there not a great deal of use in there being such a power of communication between the ultimate chief and the officers of a responsible administration?—I have no objection to the adoption of a system of that kind; but at the same time I think that in important matters a dissent is the correct method. That dissent goes before the members of the Indian Council here, a private memorandum need not go before them at all—it depends entirely upon the Secretary of State whether he shows it to the other Members of the Council or whether he does not—and it does not remain on record. It is one of the private papers of the Secretary of State, and it goes away with him when he leaves the office. Therefore, I think that in all matters of real importance I should prefer the course of dissent. It never happened to me, but if the Financial Member in my time had said to me, "Now, I want this memorandum which contains "my views upon the question sent home to the Secre- "tary of State," I should have sent it home at once without the slightest hesitation, and I am sure that any Viceroy would do the same.

16,217. The Viceroy, no doubt, in writing to the Secretary of State, and in recommending that a certain policy should be adopted, would state the objections which the Finance Minister had brought before him, even though the Finance Minister had not thought it necessary to record the dissent?—Certainly, in all probability he would; but, of course, you may say that a man states his objections better himself than they would be stated by somebody who differs from him.

16,218. That is the point I was going to put before you, and to ask you whether, in such a case as that, it would not be more satisfactory if the Finance Minister was given an opportunity of stating in his own language his own objections?—I should say I see no objection to that course, but at the same time I do not think that it supersedes the dissent; and I hold that, in important cases where men have serious differences from the policy that is going to be pursued, the dissent is the right course.

16,219. (*Sir Donald Stewart.*) Are you not aware that now private correspondence goes on between the Finance Member in India and the Secretary in the Financial Department here?—I always understood that that was the case, and I also understood that he corresponded with the Permanent Under Secretary. I never saw that correspondence and had no knowledge of its contents; but I knew that it existed, and I had no objection to it.

16,220. (*Chairman.*) But, as a general rule, would it not be desirable that any communications regarding dissent from policy should pass through the Viceroy? I understand that the greater part of this correspondence, to which Sir Donald Stewart alludes, is correspondence on questions of detail, which are eminently subjects upon which communications may pass between the subordinate officers?—As I say, I never saw the correspondence, and I do not know whether it only dealt with detail or what it touched upon.

16,221. (*Mr. Courtney.*) But you would not have the Finance Minister communicating even with the Secretary of State on any serious subject except through the Viceroy?—No, certainly not. I understand that to be the proposition.

16,222. (*Chairman.*) The proposition is that every communication of this nature that we speak of should pass through the Viceroy, who, in fact, practically should have the last word upon it?—Yes. Then I should like to add that every Member of Council, besides the Financial Member, might put in the same claim, and I should not be inclined to refuse him.

16,223. No doubt the other Members of Council stand exactly on the same footing as the Finance Member. Our questions are confined to finance, because the financial question is the only question before us?—Quite so. I quite understand, only I thought I was bound just to bring in that *caveat*.

16,224. I suppose the Commander-in-Chief probably has constant communications direct with the home authorities, does he not?—The Commander-in-Chief in India, I believe has a constant correspondence with the Commander-in-Chief at home. But there, again, I never saw anything of it—never wished to see anything of it. I think, however, that that is not quite the same case. The Commander-in-Chief's position as regards the head of the Army at home is somewhat different from that of the Finance Member as regards the Secretary of State, because the former has to do with the discipline of the British Army, with which the Government of India have nothing to do.

16,225. You are aware that there has been a considerable increase of expenditure in India during the last 12 years or so, due in part to the fall in the rupee, and in part to the increase of military expenditure?—Yes, I believe so.

16,226. And it has been necessary to increase taxation?—Yes, certainly.

16,227. Is not this an object-lesson in the dangers of which we have been talking? This is exactly a case of an increase of expenditure which may have been perfectly necessary, but which has led to the difficulty of finding taxes to meet the charge?—But I should have thought that that must always have been present to the minds of every member of the Governor-General's Council, it is so very obvious. If you increase your expenditure you must increase your revenue to meet it, and you know very well how difficult it is to increase your revenue in India.

16,228. Do you think, Lord Ripon, that it is always the case that, where expenditure is proposed, the Ministers who propose the expenditure look forward to the necessity of taxation; do they not leave it to the Finance Minister to find ways and means?—My answer to that is, in the first place that I was not speaking of the particular Member of Council who proposed the expenditure, but of the Council generally; and, in the second place, I still think that in India, where the difficulties of finance are so great, every Member of Council must have constantly before him the difficulties which arise out of that condition of finance.

16,229. I should not have said that that governs men generally; that, individually or as a body, they are very keen to look forward to this uncertain evil before them. I think they very often trust in the leaps and bounds, of which you were speaking, coming to save them from the effects of the increased expenditure. Increase of expenditure is popular at the time, and it very often is not necessary to increase the taxation at the moment. I should have thought that that was a very great danger, especially in India?—That is no doubt true, but I must say that the evil of an increase is greater and more immediate in India, I think, than it is here, where, after all, the worst evil you have is a certain amount of grumbling from the House of Commons or from the taxpayers of the country if you put on additional taxation; it is not so bad as having the consequences that might follow in India.

16,230. Well, to a certain extent has not that result actually followed in India?—There has been a considerable increase of expenditure concurrent with this very heavy demand on the Indian Revenue caused by the fall of the rupee; and we have seen, I think, a very awkward question of taxation follow.

16,231. Do you think that, on the face of it, it looks as if the financial consideration had been always present

to the Government of India?—Well, there is truth in that, I admit; but, again I say, all that increase that you are talking of is the result of policy.

16,232. But a result which constitutes a powerful reason for making the Financial Department as strong as possible, you would admit?—I quite agree.

16,233. Still, considering the essentially personal character of the Government in India, you see no method by which the Finance Department could be made stronger than it is at present, and I gather also that you do not think there is any great necessity for it?—I do not see, I confess, any very effectual means, by which the Finance Department could be strengthened. Some of the suggestions which have been made might go a certain way in that direction, but I cannot honestly say that I myself think that they would have very much effect.

16,234. I have no doubt you will have noticed the expression of despair as to the remedies in Sir David Barbour's and Sir Auckland Colvin's evidence?—No doubt.

16,235. (*Mr. Courtney.*) Would it not be that, in respect to the recent embarrassment arising from what may be called the fall of the rupee or the rise of the sovereign, they did not present the spectacle of a Finance Minister struggling against any other colleague or all his colleagues, but a whole body fighting with circumstances beyond their control?—That is perfectly true, of course. On the other hand, the fact that you are liable to such an increase of expenditure as results from that fall in the exchange, is a strong reason for paying special regard to economical considerations—and a very powerful reason.

16,236. But that fact does not raise the question of the Finance Minister's position among his colleagues?—No.

16,237. (*Chairman.*) Since 1885 the number of frontier expeditions has increased. Lord Lansdowne has explained to us that there has been of late years a change of policy in dealing with frontier tribes—a system of employment, I understood him to say, has replaced the system of punitive fines, and he hoped that from that policy would result a smaller number of frontier expeditions in the future. Are you aware of this change of policy, and would you think it likely to have this result?—I was not aware of it in detail, and I do not feel that I have sufficiently studied the question to be able to give an answer to it. Under the system which prevailed in my time, as I have already told you, we had hardly any frontier expeditions at all. And that again, I venture to think, is a question of policy. I do not think that the Government with which I was connected in India liked frontier expeditions; and I am bound to say that the military authorities of that Government disliked them as much as the civilians.

16,238. It seemed to me, from Lord Lansdowne's description, that the policy was one of greater interference than heretofore, both in forcing the tribes to keep the peace and in endeavouring to make it their interest to keep the peace; do you think that by this, or by any other means, it would be possible to avoid such a disturbing influence on sound finance as these numerous expeditions?—I do not like a policy of constant interference. My impression would be that it would rather lead to expeditions than the reverse; but I am speaking very much in the dark, because I really do not know what the new arrangements may be.

16,239. Of course, we are looking at it simply from the financial side, the disturbing effect on the Budget of these sums of 200,000*l.* or 300,000*l.* that come constantly on the Budget?—Quite so.

16,240. And the point that struck us particularly in the return of Indian expenditure was, that in the period extending over several years from the date of about 1887 or 1888 forward to 1895 or 1896, the items of frontier expenditure were not only present every year, but were present in comparative numbers 3, 2, 3, and 4 in each year, whereas the previous years had been singularly free from them. That, of course, struck us as showing that, at all events, some change had taken place to cause this. Sir Henry Brackenbury and, I think, Lord Lansdowne looked upon the present policy of interference, if I may so call it, as more likely to keep the peace than the former one. On the other hand, there is this to be said, that the actual figures did not present any such result?—I should be inclined to judge by the actual figures, and I should not think, from what you tell me, that that policy had proved itself successful; but I speak subject to correction upon that point.

16,241. They expressed themselves as being hopeful for the future?—I hope it may be, I am sure. You know there are always persons who are urging frontier expeditions, and it is sometimes by no means easy for the Government to resist that pressure; but if the Government were determined to resist frontier expeditions, unless they were absolutely necessary, I think you would find that the number of them would very greatly decrease.

16,242. I think, perhaps, the word I used went a little too far. I spoke of the policy of interference. I do not suppose that either Sir Henry Brackenbury or Lord Lansdowne would actually take that word; I may, perhaps, say a policy of control?—I cannot answer you because I do not know what the policy is.

16,243. (*Sir Ralph Knox.*) Might it not be said that these frontier expeditions in a large number of cases were due to the action of the tribes rather than to any particular policy?—The question, of course, is how are you going to deal with the action of the tribes?

16,244. Now, for instance, in the case which your Lordship referred to, which took place during your own Government, and where you say there was hardly a shot fired, was not that due to the action of the tribes?—That was due to the action of the tribes some time before, and no steps could be taken about it earlier because of the Afghan war—I think I am right in saying that it was after the Afghan war was over that that question was taken up again—it was the result of a raid upon our own territory. Certain demands were made upon the tribes, the tribes refused to comply with the demands, and a force was sent in.

16,245. But you think that raids upon the Indian territory should be resisted, I suppose?—Certainly.

16,246. (*Chairman.*) If you carry your eye along the earlier years shown in the return, you will see that there were very few expeditions, and then they come very thick and very frequent towards the close?—I do not wish to pronounce a judgment upon the matter, because I do not know the details and circumstances. Frontier expeditions are sometimes necessary, and frontier expeditions are often asked for which are not necessary—that is the only view I can give you of it.

16,247. It has been said that the presence of two Military Members gives a preponderating weight to the military element in the Council?—I never found that. Then I was very fortunate. I had for the chief part of my time a Commander-in-Chief who was essentially economical, and who paid as much attention to economical questions as any other Member of the Council, not excluding the Finance Minister. But, with regard to that question, you see the Commander-in-Chief has to be away a very great deal, and I am rather inclined to think, though I speak subject to correction, that probably under the present organisation of the Indian Army he may have to be away more; and I think that you must have a military man in the Council continually to deal with the military questions which arise. I also think that with his other work the Commander-in-Chief would probably not be able, without great labour, to deal with all those details of military expenditure which come before the Military Member, and I think, therefore, that the continuance of the two on the Council is almost a necessity. I had occasion to go into that question when I was in India, because the late Lord Lytton had expressed an opinion that the second Military Member was of no use; and I forget which it was that he proposed to put out.

16,248. (*Sir Donald Stewart.*) The Commander-in-Chief?—He proposed to put out the Commander-in-Chief, and, therefore, when the Government of which I was the head, was looking into the question of military organisation, I had to look particularly into that question. I came to the conclusion that the present arrangement had better remain.

16,249. (*Mr. Courtney.*) And you say that, not only must there be two, but that the Military Member must be a military man?—Yes, certainly, because, if he were not, it would not meet the case in the absence of the Commander-in-Chief.

16,250-1. A civilian could not be sufficiently representative of the Commander-in-Chief in his absence?—I do not think so.

16,252. (*Chairman.*) Then you would agree with Sir Henry Brackenbury, Lord Roberts, and Lord Lansdowne

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that the presence of a second military man on the Council is desirable, because the Commander-in-Chief is so much away; but, further than that, they thought that the Military Member is rather a check upon Military expenditure than a spur to it, and that in the Indian military system he rather holds the place held by our old Secretary at War?—You see, as I had to do with an economical Commander-in-Chief, the Military Member did not require to exercise a check; but the Military Member, of course, must look at things largely from the financial point of view; he has to consider his estimates, and he ought undoubtedly to take largely into consideration financial considerations.

16,253. And in that respect he would resemble very much the old Secretary at War, who, if you remember, was the Financial Officer of the War Office?—Yes, I think there would be a certain analogy between the two.

16,254. (*Sir Ralph Knox.*) The late Secretary at War was not necessarily a military officer?—No, generally not.

16,255. (*Chairman.*) But I take your view about the civilian to be what you expressed just now, namely, that so many questions of military organisation and other military questions arise during the absence of the Commander-in-Chief, that the Viceroy, if he had only a civilian to rely upon, might be in want of an efficient adviser on those points?—Quite so; and you must remember that important points may arise at any time in connection with questions on the general military system in India, and upon such points particularly a military opinion is very advisable.

16,256. It does not seem that the expenditure upon civil administration has increased, perhaps, as much as might have been expected. Lord Lansdowne, however, did not consider that the civil administration had been starved in order to provide for military services. Would you expect to find a steady advance in the cost of civil administration with the increase of population and the greater demand for active supervision which marks the present day?—I should certainly expect to find a tendency in that direction, and I myself think that there are many portions of civil expenditure which might very properly be increased, if the financial circumstances of India enabled them to be so. But when I am asked whether the civil expenditure in India has been in any degree starved, I think that the civil expenditure in India, as I have said, might with advantage be greater in some directions; and I think that the other expenditure in India, of course, has kept down the civil expenditure; but whether that is due to the loss by exchange or to the increased military expenditure, of course it is difficult to say. If there was no loss by exchange the financial condition of India would be very satisfactory, and you might either reduce the taxation or lay out larger sums for civil purposes; but you have the two increases of charge—you have an increase in military expenditure, you have a great increase resulting from the loss by exchange; those two things are a very heavy weight upon the finances of India, and naturally keep within narrow limits the civil expenditure.

16,257. (*Mr. Courtney.*) Is the comparatively small increase in that civil expenditure real, or is it to a large extent apparent, and due to the fact of a transfer of expenditure from the central to the provincial charges?—I do not think I could answer that question; I do not quite understand it.

16,258. Has there not been during the last 30 years a transfer of revenue and of expenditure from the central Government of India to Provincial Governments?—Yes, certainly.

16,259. Well, has the effect of that transfer been to make an apparent decrease, without a real decrease, in the civil expenditure?—That may be true; but I was not speaking of a decrease, I was speaking of an absence of increase.

16,260. It is just the same thing, is it not?—Not quite.

16,261. Has the apparent absence of increase been due to that transfer, do you know?—No, I should say not.

16,262. (*Chairman.*) One would be prepared for rather a steady increase in the leading branches of civil administration, would one not?—Yes.

16,263. In education, in police, in judicial arrangements?—Yes, no doubt.

16,264. And there is a danger, is there not, that the military expenditure will come first, and that, in that case, that which concerns the people most closely, namely, efficient domestic administration, may suffer?—That is quite possible.

16,265. (*Mr. Courtney.*) But, so far as any civil expenditure is withdrawn from the central and transferred to a provincial establishment, any increase of that expenditure would, of course, be withdrawn also, and there would be an apparent want of increase not due to actual cessation of increase throughout the country, but due to the transfer?—I do not think that what I had in my mind could be answered in that way; I was thinking then of the whole civil expenditure of the country; and I do think that there are many ways in which a larger civil expenditure would be productive of good if you had the money.

16,266–7. (*Sir Ralph Knox.*) Are you alluding to the reproductive expenditure, such as railways, roads, and irrigation?—No, I was not speaking of that.

16,268. (*Chairman.*) You approve of the delegation of these large financial powers to the Provincial Governments, do you not?—Certainly.

16,269. Do you think it promotes economy or the reverse?—I should say it promoted economy.

16,270. That is to say, it interests the local authorities in laying out the money to the best advantage?—Yes.

16,271. Would you extend the present system further?—I am not prepared to answer that; there might be matters to which it might be extended, but I do not think that I could mention them at the present moment; I am not, therefore, prepared to give a positive opinion upon them. The principle is right, and, as far as the principle can be extended, I would extend it.

16,272. (*Sir Ralph Knox.*) The principle would be really one of decentralization?—Quite so.

16,273. But it also tends to increase the civil expenditure, which you support so much as against the general military and police expenditure which is governed by the central authority?—It would do that.

16,274. (*Chairman.*) This Commission is directed to report on the apportionment of charges between the United Kingdom and India, for purposes in which both are interested. Would you say that in making such apportionment the two powers should be treated as partners, each of whom should pay his proper share of the common expenses, or would you suggest a method of calculation more favourable to India?—I do not think that the analogy of partners is quite suitable to the case, and I do think there are grounds, forcible grounds, for favourable consideration towards India in regard to the charges which are to be divided between the two Governments.

16,275. That is to say, you lean to the last of the two alternatives that I put before you?—Yes, I lean to the last of the two.

16,276. A method of calculation more favourable to India?—Yes.

16,277. Would you explain the grounds on which you rather demur to their being considered partners?—Well, two partners have, as I understand it, the same kind of interest in the undertaking. In all probability they are conducting one undertaking in which they have both a common interest. Now there are points, in regard to military expenditure, for instance, or in regard to the amount that is to be charged to India for any particular expeditions outside India, in which the interest of the two partners, as you propose to call them, would be not the same but different; and therefore I do not think the analogy is complete.

16,278–9. That is the point at which you object to their being partners, namely, that England has asked for aid from India on various occasions outside India about which there is considerable question?—Not only that; I do not think that in regard to military expenditure and the payment to be made by India on account of the British Army in India, the interests of the two partners are the same.

16,280. But if the scheme of the army in India is based upon reasonable economical grounds, surely that army must be that which is necessary to keep order in India and to keep India from invasion. Surely India is completely interested in securing that end?—I quite agree to that; but the questions that I was thinking of were questions relating to the cost of the army, and not to the question whether India ought to pay for the

whole of the British Army that is necessary in India for Indian purposes. To that proposition I entirely agree; but the doubt I had in my mind relates to other points which perhaps will come out in the subsequent part of the examination, or which I can explain now, as you please.

16,281. (*Mr. Buchanan.*) With regard to the partnership theory, Lord Ripon, is there not also this objection that the one partner has all the power?—There is no doubt that is true.

16,282. (*Mr. Naoroji.*) And the other has no voice at all?—I will not quite say that.

16,283. (*Chairman.*) The present and traditional arrangement is based upon the principle that India should pay fairly for her share of services common to the two countries. Would you attach weight to that principle, bearing in mind that of old time, before the Mutiny, India bore the whole charge of her own local army and maintained a local navy?—I think that, speaking generally, the principle is a right one; but on the other hand I think there are circumstances, particularly in the present condition of India, which give her claim to much consideration. In the first place I would allude to that loss by exchange of which we have talked so much. That loss by exchange is due to the large sums which India has to transmit to this country which are mainly—not entirely, but mainly—on account of military expenditure. She had in my time had to remit something between 16,000,000*l.* and 17,000,000*l.* a year. I do not know at present whether that has increased or not; I daresay it may have, but I think that the fact of her having a large dead loss, for which neither she nor anybody else gets any sort of advantage, is a strong argument in favour of her being treated with special consideration in her financial relations with the British Government. Then, again, there is another point and that relates to the expense of the British Army in India.

16,284. I was coming to that?—Very well, I will leave that then, but I put very far forward indeed in the forefront of my argument the loss by exchange. Of course, it may be only temporary, nobody can tell whether it will or will not. I hope it may. I am not sure that I think so, but such as it is at the present time, it is a grievous burden upon Indian Finance.

16,284*a*. That, of course, represents very forcibly the Indian view of the question. On the other hand, in arguing out a question of this kind, when the proposal is an easy transfer of a charge from one person's shoulders to another, is there not a tendency to overrate the power of the unfortunate British taxpayer to pay everything that other people in other parts of the world do not like to pay? Take, for instance, the Navy. Has not the annual expenditure over here—I have no doubt for perfectly sufficient reasons—advanced by leaps and bounds, and to an extent I think which makes some of us anxious as to what the possible capacity of the taxpayer here is? If, in addition to that our partner in India is absolved from a large part of a fair apportionment of expenses, may not an injustice be done to the British taxpayer in endeavouring to do justice to the Indian taxpayer?—I think you are looking to a very much larger reduction of the charge to India than I am looking to. I put it on the ground of a claim for consideration and of a claim to have those matters of account which relate specially to India determined as far as possible, where they are doubtful, in favour of India. That is all I mean; I do not go beyond that. I admit the principle that India has to pay for the army in India.

16,285. (*Mr. Courtney.*) Lord Welby says that you have put the case from the Indian point of view as strongly as possible; but might not the Indian urge even a stronger argument with respect to this matter of the loss by exchange—perhaps quite foolishly? Might he not urge, like the person in the Western States of America, that, owing to British reluctance to reconsider her monetary system, a heavier charge was thrown upon them than should be?—I am afraid that I cannot admit that.

16,286. I am asking you as to what an Indian might say?—The question to which I alluded just now, and in which I differed from my Council and they beat me, was the question of bimetallism. I am a strong monometallist.

16,287. Oh yes. I am not disputing the accuracy of your judgment on that point, I am only asking whether an Indian, like a man in Iowa, might say that he ought to be considered, because it was British unalterableness that was injuring his position?—Yes, but I should not admit the argument.

16,288. (*Chairman.*) On the other hand, might not the reply be: you gentlemen are asking to be allowed to pay off a debt of 1*l.* with 10*s.*, and we have an objection to that easy method of getting rid of indebtedness, and therefore we have not assented to it?—I should not admit the argument. It may be so, of course; as I tell you, it was very strongly used; but it was rather more, I think, on behalf of Europeans living in India than on behalf of the general population that it was used in my Council in my time.

16,289. (*Mr. Courtney.*) It is strongly used in the United States, you are aware?—Very likely.

16,290–1. (*Chairman.*) Now coming on to that point that you were just going to mention, Lord Ripon, the home charges of the regiments serving in India, that is to say, the charge for levying and training recruits for India and a variety of other services. India pays for these services, under the recommendations of a Committee over which Lord Northbrook presided, about 550,000*l.* a year. Lord Lansdowne thinks that this award of Lord Northbrook's should hold good; but that in enforcing it the Home Government might bear in mind that India is exposed to danger from being involved in the foreign relations of England. I understood him to mean that on that account the Home Government might forego part of that claim. How does that recommendation strike your Lordship?—I do not quite agree with Lord Lansdowne upon that point. I doubt whether, if India were not connected with England, she would not have charges of exactly the same kind upon her that she has now. I think all the history of India points to the fact that, if she had not become part of the British Empire, she would have become part of a French Empire, or of some other empire, and, as the Commission are well aware, in the middle of the 18th century it was a question whether India was to be governed by the French or by the English, and there was a moment when it seemed doubtful which would have prevailed. I think the sea power of England led to her prevailing; but in the other case India would still have been governed by a foreign country and would have been subject to the same sort of liabilities, though they might have taken a different direction. But that, perhaps it may be said, is ancient history. I will come down to the present time. In my judgment I think that, if India were not connected with England, she probably would be a dependency of another great European power. I know there are persons who say that India is exposed to invasion from Russia, because she is connected with England. I do not agree in that opinion. I believe India would have been probably annexed to the Russian Empire long ago—some considerable number of years ago at all events—if she had not been connected with the British Empire. I am not one of those who look with alarm to a Russian invasion of India. I do not think that, when she comes to deal with the British power in India, she will invade India. The idea is a source of scares and a source of expenditure; but I do not myself think, looking to all the circumstances of the case, that it is a very likely event; but I do think that, if the British power had not been there, in these days of earth-hunger among all the nations of Europe, India would very likely either have been actually an appendix to Russia or exposed to that danger; and therefore I do not think that our presence there and our foreign relations are a cause of expenditure, which she would get rid of if we were not there.

16,292. (*Mr. Courtney.*) But Lord Lansdowne suggested the daring conception of India being a dependency of the United States, and he thought that in that case the external policy of India would be very much modified as compared with what it is now?—But I do not think India was ever under the slightest danger of being annexed by the United States.

16,293. Oh no! I admit that?—That is the answer, because that is a supposition which is really not practical. Now the danger of being taken over by France in the 18th century was a real danger; and the danger of being annexed to Russia, if we were not there, is in my judgment in the 19th century a real danger.

(*Mr. Courtney.*) And you do not allow that that suggestion, inconceivable as it may be, supports the argument for the more moderate charges against India in respect of what we may call the military organisation?

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—It is not an argument that I should, myself, put forward, but that is all I mean. I think there are other arguments, I have named one of them.

16,294. (*Chairman.*) We might even assume Lord Lansdowne's supposition. Your Lordship is speaking now of the general earth-hunger; is it not quite possible that Russia, if India belonged to the United States, might attack India just as readily as she would in existing circumstances?—Certainly.

16,295. Then that assumption does not dispose of the question at all?—No, it does not dispose of the question.

16,296. (*Sir William Wedderburn.*) But, if India belonged to Russia, of course there would be no longer that fear, from the land side, of invasion?—That I cannot say; that depends entirely upon Russia's foreign relations.

16,297. (*Chairman*). Might there not in that case be some risk of annexation by England?—Yes; but it depends entirely upon Russia's foreign relations. An attack from the sea upon India would always, in my opinion, be more dangerous.

16,298. And, anyhow, whether India was a dependency of another foreign power or whether she was independent, she would require a very large defensive force to keep her from invasion?—If she were an absolutely independent power, she would, of course, require a larger military force than she finds necessary merely for the purpose of police; all great empires require that.

16,299. (*Sir Ralph Knox.*) Especially continental empires?—Yes.

16,300. (*Chairman.*) With a larger power on their frontier?—If she were not a continental empire, she might require a large navy.

16,301. (*Mr. Naoroji.*) If, as an independent power, she required any large force, certainly that force would consist of themselves, that is of the natives?—Yes.

16,302. It would not consist of foreigners?—No.

16,303. The advantage, therefore, of any such force would remain economically entirely to the country itself, which is not the case at present; is it not so?—But I do not know how far a force of that kind would be found able to meet an European army.

16,304. (*Sir James Peile.*) Could you conceive of India as one independent power defended by an army of her own people?—I think it very unlikely. I have also said that I do not think that, looking at it historically, it is at all possible.

16,305-6. (*Chairman.*) I was calling your Lordship's attention to the fact that, under the present arrangements of the payment of the effective services of the Queen's force, England was now receiving about 550,000*l.* a year, and that Lord Lansdowne thought that that award, which was Lord Northbrook's award, might hold good, but he thought that in enforcing it the Home Government might be liberal. On the other hand the War Office have presented to us a statement which calculates the home cost of the Queen's regiments serving in India at 1,100,000*l.*, in respect of which, as I have just mentioned, India only pays about 550,000*l.* It is probable that many of the items would be admitted, and that the cost of the service to the Home Government would appreciably exceed 550,000*l.* If, and to whatever extent this excess is admitted, would you allow that that excess should be taken into consideration in considering Lord Lansdowne's suggestion that we should be liberal in the charge which we make upon India?—I have never gone into those questions in detail as Lord Northbrook has. Lord Northbrook knows the whole subject extremely well, and has given it attention for many years. He was the head of a Commission which dealt with it, and can speak, of course, with great authority upon it. I have not, myself, at any time gone into those questions minutely. After all, the question you ask me is one of fact—is the claim of the War Office for 1,100,000*l.* right or is it wrong? You say that deductions might be made from it. I cannot say, therefore, whether a set-off of the difference between that and the present charge of 550,000*l.* would be sufficient consideration, or whether it would not. What I mean is, that India has a good claim for favourable consideration upon the grounds that I have already mentioned, and upon others that I could mention.

16,307. Your Lordship will observe I said that to whatever extent that excess beyond the 550,000*l.* is admitted by impartial people looking at the account, would you agree that to that extent fair allowance is made in the interests of that liberal treatment which, I think, both yourself and Lord Lansdowne have advocated?—Of course, if it is a fact that the whole charge would be 1,100,000*l.*, and the payment is 550,000*l.*, that is a considerable allowance to India; but then I am not in a condition to admit, nor am I in a condition to deny, the fact; it seems to me that, Lord Northbrook's Commission having gone very carefully into the matter, and having fixed a certain sum—7*l.* 10*s.* a head, I think it was—the Government of this country ought to stand upon that.

16,308. But the India Office do not demur to the 7*l.* 10*s.*?—No.

16,309. So far that is fair, but now in making deductions from that amount to whatever extent an impartial authority would say that the British Government have to pay more than that 550,000*l.*—let us take a very handsome discount off, and say 800,000*l.* would be admitted—would you admit that that excess of 250,000*l.* is a handsome contribution from this country to India, though perhaps it might not be a sufficient one?—It would undoubtedly be a contribution to whatever extent it might be proved; but I do not think the question ought to be raised now, if you have agreed upon the 7*l.* 10*s.* I think you should take that as the rate agreed upon and settled at present.

16,310. Yes, so long as you keep the bargain on both sides; but if it is left open to the Indian Government to say "We accept this, but now we have to call upon "you to strike off certain sums, we want you to make "allowances and deductions"?—Yes, I see what you mean.

16,311. (*Mr. Buchanan.*) But is it not the case, Lord Ripon, that, with regard to this claim put in by Sir Ralph Knox for abatement, Lord Northbrook has himself told us in Q. 14,300, that every single one of those items is an item which the Commission of which he was the President had to go through and consider in estimating their 7*l.* 10*s.* rate? He did not know that there was one which was omitted, and then he said that, if that 7*l.* 10*s.* rate is accepted as a fair arrangement between the two bodies, the whole of that part of Sir Ralph Knox's calculations on which he bases the calculation of 1,100,000*l.* ought to be dismissed from the consideration of the Commission altogether, the whole of it?—I think you must not ask me about that, because I do not know anything about it of my own knowledge. I have not been through those calculations myself, and I should not like to express an opinion one way or the other.

16,312. Well, I will put it in this way—in fixing the 7*l.* 10*s.* rate, have not all these various claims been already considered?—I understand so; but I know nothing about it from my own knowledge. I understand that is the case, but only from what you put to me from that evidence of Lord Northbrook.

16,313. (*Mr. Mowbray.*) Does it not come to this, that so far as we have got any impartial judgment upon the matter, that impartial judgment has arrived at the figure of 7*l.* 10*s.*?—I think so.

16,314. (*Chairman.*) There is an important member of that Commission present, Sir Ralph Knox?—I do not think you will get any good by examining me upon this point, because I really have not gone into it, and, therefore, I do not wish to express an opinion upon its details. I am not in a position to express an opinion upon it.

16,315. (*Mr. Courtney.*) We can only examine you with good effect upon the principles upon which the apportionment should be made?—Quite so.

16,316. (*Mr. Buchanan.*) The only question I will ask is this: the abatement, which you are urging in favour of India, is only to come into consideration on the assumption that the 7*l.* 10*s.* capitation rate is accepted?—Yes; in regard to the matter to which it relates.

16,317. As to what is included in that 7*l.* 10*s.*, we will take Lord Northbrook's evidence?—Quite so.

16,318. (*Chairman.*) Without pressing you upon a point upon which we can hardly ask you to express an opinion, I think we must come to this, that whether the charge is 1,100,000*l.*, or 1,000,000*l.*, or 900,000*l.*, if India does not pay it, the British taxpayer does?—Of course.

16,319. And, therefore, to whatever extent Sir Ralph Knox's calculation is admitted, there is a payment by the British taxpayer towards the charges of the army employed in India?—But does not that rather involve an assumption that that charge is incorrect. If I understand Lord Northbrook's Committee, that 7*l.* 10*s.* in their opinion covered the charges.

16,320. It was a compromise?—Then, if it is a compromise, it has been accepted by both parties.

16,321. Then both parties ought to stand by it?—Like everybody else who accepts a compromise, both parties say that they were done by the compromise.

16,322. (*Chairman.*) But a compromise by which only one party is bound, is rather one-sided, is it not?—How do you mean by which one party is bound?

16,323. Because the India Office and also Lord Lansdowne, admitting that the 7*l.* 10*s.* should hold good, proceed to say that deductions should be made from it, in order to show goodwill to India?—I see; if the deductions are to be made from the 7*l.* 10*s.*, then your argument would come in.

16,324. (*Mr. Buchanan.*) But that is not their contention, or your contention?—That is another point.

16,325. (*Chairman.*) Sir Henry Brackenbury suggested that there should be no such payment made by India in respect of the effective services, at all events, of the Army, for which she now pays, as we have said, 550,000*l.*, but that she should make a liberal contribution to the Navy. The cash difference would probably not be so great as might be anticipated. Lord Lansdowne did not approve this idea of simplifying the relations between India and England—what would you say to the principle of that arrangement?—I am inclined to take Lord Lansdowne's view. I should not like to see a new charge put upon India, and it would be better to leave things in that respect as they are.

16,326–7. Before leaving the subject of the Army, I should like to ask you whether you think that the Army in India was larger in your time than was required by Indian wants and interests?—No, and I give the best possible proof of that. While I was in India, we went most carefully into the question of the size of the Indian Army; and it never entered into our heads, so far as I know, in considering that question to take into account at all anything except the requirements of India. By the requirements of India I do not mean merely police requirements. I mean the military requirements of a great State, such as India would be if she were independent; and I certainly should never have agreed, nor do I think any Government ought to agree, to maintain in India a larger force than is necessary for Indian purposes. I am very well able to give an answer to that question, because of the inquiry which we specially made. The principle of our calculation will not be found in the report of the Army Commission, but such an idea never entered into our minds. We looked at what we considered to be the military requirements of India, and we based our calculations upon them, and, I will undertake to say, upon them alone.

16,328–9. (*Mr. Courtney.*) Had you in view not only the numbers of the Army, but efficiency and its condition?—Certainly; and all our proposals, I think I might say, in our judgment would have increased efficiency at the same time that they produced economy. They have all now after a long period of years been carried into effect, or very nearly so.

16,330–1. (*Sir Ralph Knox.*) But, so far as numbers are concerned, the total force is now not greater than it was before the Indian Mutiny, is it?—I could not say; I do not know what the figures are.

16,332. The constitution of it is different?—Yes.

16,333. A larger number of Europeans, and a smaller number of natives?—Certainly.

16,334. But the total force is even less than that which was maintained before the Indian Mutiny?—I rather think that is so, but I do not speak from my own knowledge. I am bound to say, in connexion with that question, that in determining the amount of European troops in India, you have to take into consideration two points; one is the number wanted for the actual military purposes of India, and the other is the proportion which it is necessary to maintain between the British and the Native Army. That proportion has been fixed now for some time at one to two; and that is a proportion which I look upon as absolutely fundamental.

16,335. (*Chairman.*) Would you look upon the Army in India as a reserve for England?—Certainly not. I am very glad that you have asked me that question, because there is no doubt an opinion prevalent at the present time in the minds of many persons, that the Native Army in India is an army upon which we can draw in this country when we want a few thousand men for any particular military operation or undertaking. It has been drawn upon in regard to Egypt, and it was drawn upon, under the Government of Lord Beaconsfield, for purely European purposes, when those troops were brought to Malta. I think it is a great mistake, and indeed, I think it is a dangerous mistake, to suppose that you can regard the Army in India as an army upon which you can indent for general Imperial purposes. The principle that my Government went upon was, as I say, to maintain the Army which was wanted for India and that only, and if there is now more force there than is required for Indian purposes, in my opinion it ought to be reduced; and although I do not mean to say that taking away a few battalions in a time of perfect tranquility would lead to any dangerous result, yet there are objections besides that, which, not being financial, I can not touch upon, to the employment of Indian troops in that way; but looking at it from the financial point of view it involves an admission that there are in India more troops than are required for Indian purposes; and, if that admission is true, then the Army in India ought in my judgment to be reduced; and I am afraid that, if people get into the habit of relying upon India as a country from which you can draw troops when you please, they will find that they are relying upon a broken reed. I do not mean by that to reflect in the slightest degree upon the Army in India, but I mean that they will find, when the occasion arises, that they cannot get that which they want. That, I confess, I feel very strongly.

16,336. As I understand, you have some doubts about the desirability of looking upon India as a power that can lend temporarily in time of complete peace a few of her troops for special services, such as in Egypt; but you deprecate chiefly the idea of looking upon India as a source from which England might draw in time of difficulty?—That is what I mean. I, of course, do not say that you should not remove a few battalions, or that danger would result in ordinary quiet times if you did; but you ought not to look upon the Army in India as a reserve for England, and you ought not to keep any troops in India with that view and for that purpose. Of course, I am not speaking of a great and overwhelming national necessity which puts aside all rules, in which you must do anything and everything that you can. I am speaking of a state of things short of that.

16,337. (*Mr. Buchanan.*) You said a minute or two ago that your calculation of the amount of military force in India was based upon the idea of what India would want as an independent power?—Yes; I did say that, I admit. But, what I meant was that it was not based merely upon what was required in India for police purposes. No great State keeps its army only for police purposes. You do not want any army in England at all, for instance, for police purposes, or hardly any; but what I meant was that you had to look to the possible requirements of India in all ways, as you would look upon those of a separate State.

16,338. The reason I asked that was to lead up to this other question, in view of your last answer to Lord Welby. Then you would not be disposed to keep up any force in India for Imperial purposes which might be necessary outside the limits of India?—No.

16,339. (*Chairman*). The Imperial Government argue that India made a considerable saving by the abolition of her navy, and the transfer of a great part of the duties it performed to the Imperial Navy. It is said that the local navy cost India 300,000*l.*, and more, at the time of its abolition, and that the same kind of force would cost a great deal more now owing to the greater costliness of ships and armaments. Do you consider that the abolition of the Indian Navy was financially an advantage to India?—I cannot answer that question. It took place before my time, and I never had any occasion to look into it.

16,340. You are aware that, under a decision given by Lord Rosebery, India now pays 100,000*l.* for the use of a certain number of Imperial ships stationed in Indian waters. Have you formed any opinion upon that arrangement?—No.

16,341. It has been suggested that India should be treated, in paying for defence, like the self-governing

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colonies. Is it not the case that those colonies, the Cape perhaps excepted, cost the Imperial Government very little for army services; and that the Imperial Government holds that the colonies ought to pay the full charge of military defence? Is it not further the case that the Imperial Government does consider that those colonies should contribute to the Navy, and that Australia has set a precedent and makes a contribution to the Navy?—Yes, it is true that the Australian colonies do make a certain contribution; but that is really very much the question which I answered before, that I do not think that any change in that respect is desirable. It must be borne in mind that any extension of that principle of the Australian arrangement is one that requires to be very carefully considered. It is, I think, a fixed rule now-a-days of naval policy that you must have your Navy perfectly free: that the Navy ought not to be tied down to be at any particular place at any particular time; that the defence of the British Empire in all its parts may often be more effectually carried out by the Navy upon the great trade routes than it would be in the immediate neighbourhood of our commercial ports; and this is the difficulty even in the Australian arrangement. I think there is a difficulty in tying up in any way the ships of the British Navy to be at any particular place at any particular time in the event of hostilities. That is another reason for being very careful before you make that sort of arrangement.

16,342. But still there is the principle that, as far as military defence is concerned, the Imperial Government holds that the colonies should pay the charge?—Certainly, that is the principle.

16,343. And with regard to the Navy—we have seen it in the Australian case—the principle is maintained that a contribution should be made—we are not now talking of the limitations under which it should be made?—That depends on an arrangement which has been made with the self-governing colonies; you have no such arrangement with the Cape; you have no such arrangement with Canada.

16,344. No, but we have with the Australian colonies?—We have with the Australian colonies.

16,345. I am only speaking of the principle?—I think the arrangement with the Australian colonies a very good one. It will expire, I forget now exactly when, but soon it will have to be reconsidered. I hope it will be renewed in some form or another.

16,346. (*Mr. Courtney.*) But does that arrangement clearly recognise the principle for which you contend?—Not altogether.

16,347. Not the principle of contributing a share of the cost of the Navy?—Yes, so far as that is concerned.

16,348. It is a demand for a localised Navy?—To a certain extent. As far as I remember, it does not recognise my principle fully.

16,349. (*Chairman.*) You know the very difficult questions that have arisen of late years between the Indian and the Imperial Governments on the subject of the charges for troops that have been lent?—Yes.

16,350. Would you wish to see some arrangement made, which would prevent that difference of opinion which almost invariably occurs when a question of such an expedition arises in which the Indian troops are asked to take part?—I should very much wish to see something of the kind if it can be done.

16,351. Have you seen the strong opinion expressed by Lord Northbrook in favour of such an arrangement, an opinion in which, I may add, Lord Lansdowne concurs?—Yes, I have seen the opinion.

16,352-3. The Indian Government has on several occasions been asked to contribute the ordinary pay and allowances of her troops borrowed for foreign expeditions. Lord Northbrook suggests that such a contribution should not be enforced without the consent of the Indian Government; that the contribution should only be made if Indian interests are concerned, and that a general definition of Indian interests should be formulated by agreement between the two Governments and embodied in a Treasury Minute. Lord Lansdowne, as I understand him, is not quite satisfied to leave the decision entirely in the power of the Indian Government, and would prefer an arbitration. Would you favour us with your view as to a possible solution of this difficulty?—In the first place I would say, as regards the question of pay or of the ordinary pay of troops employed out of India, using the word "India" in that sense not as strictly confined to the limits of British India, but including that which is in the sphere of the influence of India to use a modern expression, that I am inclined to desire that the same principle should be applied to any troops so lent by the Indian Government as is applied to the troops lent by the British Government to India, and that upon both sides the charges should be regulated in the same way; that as India pays, speaking broadly, all the expense of the troops that are lent to her for employment in India, so, if we borrow troops from India, we should begin by undertaking to pay all the expense of those troops. But then would arise afterwards the question whether Indian interests were concerned in the expedition for which the troops were employed, and whether she should make any contribution to the general expenditure of that expedition. That is the principle really upon which the English Government has recently made payments to India. You know she made payments to India after the last Afghan war. She ultimately, after a good deal of discussion and difficulty, made payments in regard to Lord Wolseley's first Egyptian campaign, of Tel-el-Kebir, and that is the principle on which I should like to see the payment made. I should like, when Indian troops are lent to England, to see India treated exactly on the same footing as England is, when English troops are lent to India. But then there would undoubtedly, in certain cases, arise a subsequent question whether Indian revenues should bear any portion of the expense of the warlike operations on account of the interest of India in those operations. It is on that principle that I think the arrangement should be made.

16,354. You refer to Lord Northbrook's suggestion?—As to Lord Northbrook's arrangement, I do not conceal from myself that it would be a very difficult thing to draw up the proposed Treasury Minute; but I think it would be a very good thing if it could be drawn up so as definitely to determine what course was to be taken. I doubt whether such a Minute would give much occasion for arbitration, but if there was an opening for any arbitration, I should be in favour of it, in order to avoid, what I think has been called in some questions and answers before this Commission, the scandal of the disputes which sometimes take place, and are prolonged for length of time, between the two Governments.

16,355. Lord Northbrook draws a distinction between questions in which policy is involved and questions of administration?—I understand your question now to apply, not to questions of administration, but only to the other questions?

16,356. Quite so?—But when you use the word "policy" it raises a serious question. I do not think you can go to arbitration upon any question of policy.

16,357. No, that was Lord Northbrook's view?—You must lay down in your Treasury Minute—if you can do it, but I think it is a very difficult thing—definite rules such as could be interpreted, say, as I think it has been suggested, by some person of legal eminence who should be employed as arbitrator; but you cannot put questions of policy to any such arbitrator.

16,358. (*Sir Ralph Knox.*) Do you not think that in the Eastern seas India's interests may be regarded as sufficiently involved to cover such an arrangement as the use of India's troops in any expedition that may be determined upon, provided no extra charge is thrown upon the Indian revenues?—With regard to that point, I prefer what I have stated, that India should be treated exactly on the same footing as England is. If you borrow Indian troops you should begin by paying the whole of the expense of them, and afterwards you might consider whether India should make any contribution towards the general expenses of the expedition.

16,359. (*Mr. Courtney.*) You said, I think, borrowed for use outside the sphere of Indian influence?—I did. Sir Ralph Knox, of course, extends that interpretation considerably.

16,360. (*Chairman.*) Well, one is tempted to ask what your Lordship would consider to be the sphere of Indian influence?—I do not mean to say that there are no Indian interests outside the sphere of the influence of India.

16,361. What kind of limitation would you imply by the sphere of Indian influence?—That is the great

difficulty in the way of laying down any general rule. I do not feel myself at present in a condition to do so. I wish it could be done, and I daresay the wisdom of this Commission will be able to do it.

16,362. (*Mr. Courtney.*) Would the Malay States, for example, be within the sphere of Indian influence?—That is a very difficult question to answer.

16,363–4. (*Mr. Mowbray.*) Well, would the Malay States come within your definition of Indian interests, when you told us that the strength of the Indian army was calculated for Indian interests?—No, what I was thinking of in that definition was Afghanistan. That I do consider now to come within the sphere of Indian influence.

16,365. In fact, all your remarks about these possible expeditions must be taken subject to the limitations which you have already laid down, that you object to the use of Indian troops outside what may be generally called the limits of India?—Yes, they may be taken so.

16,366. On the ground that such use implies that you have more troops in India than you really require for Indian purposes, and therefore you object to it?—Quite so.

16,367. (*Chairman.*) Lord Northbrook laid down as, I think, beyond doubt in his mind, that questions affecting the Suez Canal were Indian interests. Would you admit that?—Yes, I think they are. It is certainly a large Indian commercial interest; and it is an Indian interest in regard to the transport of troops.

16,368. Then again coming to a minor instance, take Zanzibar. We have understood that India has commercial interests there. Would you say that Zanzibar is an Indian interest?—I do not think the Foreign Office thinks so, because they took it away from India and undertook the management of it themselves. There used to be an Indian officer at Zanzibar. If you are looking to every place where India has commercial interests, you look to a large part of the world—you look to Australia. There is a good deal of trade between India and Australia now-a-days and an increasing trade.

16,369. At present you will observe that, if England asks to borrow Indian troops, somebody has to define on each occasion what is the Indian interest, and generally with a great deal of friction?—Yes.

16,370. It is not as if by not attempting to define it you escaped a good deal of difficulty?—I should be myself extremely glad if it could be defined. I only say that it seems to me to be a very difficult thing to define: if you could draw up a Treasury Minute of such a nature that you could lay it before a judicial person, and he could tell you in any particular disputed case what he believes to be the true interpretation of the document, provided the questions referred to him are not questions of policy, then I think you might be able to work it; but I am afraid the difficulty of drawing up the document would be very great.

16,371. (*Mr. Courtney.*) Must not the question referred to this legal personage be always a question of policy?—Not necessarily if the Treasury Minute could lay down general principles upon which the cases are to be determined—such a principle as a geographical limit. But, of course that is a question as to which I cannot understand any dispute arising.

16,372. If you could once settle the geographical limits, you need have no reference?—No.

16,373. (*Chairman.*) But taking Mr. Courtney's question; these administrative differences of opinion do not always involve policy, do they?—No.

16,374. Let me take Lord Rosebery's award about the Navy—the question was simply this. It had always been laid down that a certain squadron should be kept on the coast of India, in the Persian Gulf and for Indian purposes, which last was a disputed point; but also it had been arranged that for this purpose so many Imperial vessels should be kept?—Yes.

16,375. I think the arbitration was to settle the fair amount to be contributed for these ships. As far as I recollect, the Admiralty put forward something like 120,000*l.* as the actual cost of these ships. India had been contributing 70,000*l.* Well, that was really not a question of policy, but a question of what the fair cost of the ships was?—Yes, that is quite a question upon which you might have an arbitration; you had an arbitration, only you had Lord Rosebery instead of a judge.

16,376. You see he arbitrated as Prime Minister?—Yes.

16,377. And, I think, the India Office thought the Prime Minister had a bias?—Possibly.

16,378. (*Mr. Courtney.*) But, as I understand, the settlement, even if it could be drawn up, would not amount to more than this:—*primâ facie* Indian troops borrowed by the United Kingdom should be paid for by the United Kingdom as British troops borrowed by India are paid for by India. That being the rule, any special case might raise the question whether India had an interest sufficient to require a contribution from India?—Yes.

16,379. But, if that special case remains over for consideration, it must always be a question of the interests of India?—Yes.

16,380. That is not a question which could be referred to legal arbitration. It is a question of policy?—I agree to that; but then I understand that what was contemplated was that a Treasury minute should be passed laying down certain general principles upon which that question was to be determined: and I gather that they were rather of a geographical description than of any other description. And, if any dispute could arise under such a system, then I think that it might be referred to an impartial arbitrator.

16,381. Yes, but if you have defined geographically the limits of Indian interests, any dispute that could arise then would be of a very trumpery character?—If you used vague words of any kind disputes would arise, but I was not contemplating that. I so entirely agree with the view that has been taken that these disputes are very unfortunate and very much to be deprecated, that I should like to see any workable and proper system adopted which would get rid of them by a final decision; and that is the reason why I have gone as far as I can in regard to that matter, but I am not very hopeful in regard to these points which have been discussed. The other question which Lord Welby was coming to is quite a different point.

16,382. (*Chairman.*) You see, in the case of questions of policy Lord Northbrook thought that they could not be sent to an arbitrater, that the Government must decide them?—Yes.

16,383. And Lord Northbrook thought, not without some hesitation, that, if sufficient limitations were laid down, the Government of India should decide what was an Indian interest, and that India should not be required to pay, if the Indian Government did not assent—that is to say the Indian Government, under such circumstances, would be given an absolute veto upon the contributions?—Yes.

16,384. Lord Lansdowne, as I understood him, did not quite like that proposal, and he would have liked to have sent such questions to an arbitrator?—Yes.

16,385. You are aware of the extreme difficulty that the two Governments have always found in choosing an arbitrator?—Yes.

16,386. Of those plans, one of which would leave to the Government of India a veto under certain limitations, and the other refer the question to an arbitrator, which would you prefer?—I do not think that you could, and I do not think that you would ever get the British Government to agree to give the Indian Government an absolute veto.

16,337. Not even under such limitations as are proposed?—I do not think you would.

16,388. Then that leaves us very much as we were?—No; that rather points to the arbitrator, does it not?

16,389. Yes, but the arbitrator has always been a failure; arbitration has been a failure in different ways. First of all there has been immense difficulty in finding a man that both parties would agree upon, because both parties are imbued with the idea that any man that can be chosen has a bias. Then, after the arbitrator has been chosen and, probably after great delay, a decision arrived at, it almost invariably follows that both parties dispute the decision?—That is not peculiar to this kind of arbitration. That is a general difficulty which arises in all, or almost all, cases of arbitration, I am afraid.

16,390. Now passing, Lord Ripon, to the question of differences of opinion on matters of administration, Lord

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Northbrook suggested in that case a reference to a person of judicial standing, whose decision should be accepted by both parties. May I ask your opinion upon that suggestion?—Would you be good enough to define a little more what is the subject to be referred to arbitration.

16,391. The kind of question that would be referred to this person of judicial eminence and judicial standing would be such a case as the capitation rate, if ever that came up again?—Yes.

16,392. Such a question as to what was to be the contribution for a certain force of Imperial ships, stationed in the Indian waters?—Yes.

16,393. He would not decide on the policy whether ships should be stationed in the Indian waters; he would not decide the policy whether the capitation rate ought to be paid or whether more liberal consideration should be shown to the Indian Government; a definite question—for instance, that so many ships are to be provided—and the arguments on both sides as to what has to be the contribution for these ships would be put before him, and he would decide what that contribution should be; or such and such being the Home charges of the Queen's troops serving in India, what is the proper sum to be paid to recoup the Home Government those charges. That would be the form of question put to him—a practical question in each case?—I see no objection to that, provided you make your reference to him definite, and that it is outside of questions of policy. But we will take one particular point, which I observe Lord Northbrook pressed upon very much in his evidence. I am not expressing any opinion of my own, because I have not gone into it. Lord Northbrook expressed an opinion that the charges for depôts in England were greatly in excess of what they ought to be. Would your arbitrator have to go into that question, not into the question of what the charge was, but into the question of whether it was greater than it ought to be?

16,394. Well, I take it that this arbitrator would receive the two cases—the Indian Government would put forward their case, the War Office would put forward their case. It would be quite open to the Indian Government to state the grounds upon which they thought that such and such a charge was excessive; and, on the other hand, the War Office would state the grounds on which they thought it was not excessive. Take the case of depôts: It has been stated that these depôts are scattered about all over the country, and that it would be much cheaper if there were three or four central recruiting depôts. On the other hand I understand that the War Office say that for the purpose of effective recruiting you must have this great number of places where the recruits can be brought together. Of course, I am only giving you an instance, subject to correction by Sir Ralph Knox or Sir Donald Stewart. Each of those views, I take it, would be put before the arbitrator, and he would have to judge between them?—But that is really referring to him an important question of military organisation.

(*Chairman.*) Is it quite so, because he would only have to pronounce upon the cost of it; he would say "This is an excessive cost to India. If England "chooses to keep that system up; I do not think the "charge to India ought to be more than so and so."

16,395. (*Sir Ralph Knox.*) India complains not only of the scattered depôts but of the concentrated depôts?—But if you put before your arbitrator a definite question, and do not put before him questions with which he is perhaps not competent to deal, such as questions of policy, either general or military, I should be quite ready to agree that such a system would be far better than the present system of disputing these questions for years, and finally settling them to the satisfaction of nobody; but then both parties must agree to accept the arbitration.

16,396. (*Chairman.*) On the whole the difficulty of finding a man of high political position that both parties will accept has been so great that it has been almost impossible to find such a man; and when Lord Northbrook spoke of a person of judicial standing, I think he meant a man trained by his profession to weigh evidence and to decide upon it with the impartiality of a judge?—Yes, quite so.

16,397. You would agree at all events?—I should like to see it tried, and I should hope it might succeed.

16,398. Would you agree that it is desirable to find means to terminate quickly the differences of opinion which are sure to arise between independent governments engaged in joint operation, and thus prevent these terribly protracted discussions?—Yes, I quite agree with that.

16,399. It has been argued that the Imperial Government should contribute to the maintenance of Aden. On the other hand it is said that, if the Imperial Government take the whole charge of Malta and Gibraltar, garrisons of great importance to our intercourse with India, India should maintain Aden. Would you give us your opinion upon that point?—I should leave things as they are.

16,400. It is said that the Imperial Government does not sufficiently consult the Indian Government on questions affecting the two Governments, does your experience lead you to think that there is force in this criticism?—I certainly am of opinion that the Indian Government has on several occasions not been sufficiently consulted in regard to military expenditure. If you refer to the despatch of the Government of India—it is a very long despatch indeed—of the 29th October 1881, you will find that my Government drew attention to the large number of charges connected with the British Army, which had fallen upon the Indian Government, and which had added to the expense of the Army in India, upon most of which the Indian Government had not been consulted. That list does not include questions of great changes of military policy like the question of short service; it relates more to a series of comparatively small matters which during the period from 1864–65 to the date of that despatch, which is some 18 years, threw upon the Government of India, mostly without their being consulted at all, no less a sum than 800,000*l.* a year. That sum now probably is a million, or more than a million, pounds. Now I am not, of course, arguing that the Indian Government should determine the organisation of the British Army. That would be quite out of the question; but I do think that in all changes which are calculated to throw additional expenditure upon the Indian Government, they should be consulted. If you look at paragraphs 44, 45, 46, and 47 of that despatch to which I have referred, you will see the whole case there stated.

16,401. Have you summarised the matter already in saying that cases involving 800,000*l.* during that period of years, to which you allude, were put upon India, without India being consulted first?—Yes, I want to point out how necessary it is that the Government of India should be consulted, because there are cases in which a comparatively small expense in England is sometimes a considerable expense in India. At the end of paragraph 44 you will find this statement:—"The conversion, for example, of the first captains "of the Royal Artillery into majors gives the "officer so promoted an increase of only 5*s.* a day in "England; in this country the difference between "the pay of a major and a captain of artillery is 342 "rupees a month." Therefore, the cost of that change to India was very much greater than the cost to England. I do not mean to say that, if it was considered necessary for the organisation of the British Army that these first captains should be turned into majors, it ought not to be done; but I do distinctly say that the Government of India ought to have had a say upon it, and I also put it—I am very much inclined to put it almost personally to the Chairman—what is the condition of a Finance Minister who may have 45,000*l.* or 50,000*l.* a year put upon him, without his having had any say about it, by a power entirely outside his control? You will, I am sure, see what a difficulty that must make in the management of Indian Finance, and I think that is another reason why India has a claim for special consideration, because she cannot have—and I do not claim it for her—a determining voice in the organisation of the British Army; but, as the organisation of the British Army may throw heavy charges upon India, in addition to the previous expense of the troops, and without any increase whatever in the number of troops, I do think that there is a claim for important consideration in regard to her military expenditure. I do not say that all these changes may not be perfectly right—I daresay they are; but some of them, though very small matters, are reforms which it is much easier for a rich Government to adopt, than it is for a poor Government.

16,402. But, if it makes the Army more effective, that interests a poor Government just as much as a rich

one, does it not?—No doubt. That word "effective," you know, is a little wide; it is capable of being stretched a good deal.

16,403. Still, the great reforms which have been made within our recollection in the Army, have been reforms which, there is a pretty general agreement, have tended to make the Army more efficient?—Yes.

16,404-5. The abolition of purchase?—The abolition of purchase is not included in that list. They are all small matters; if you look at them, you will find that they are much smaller matters than those large questions of organisation, which I have not touched because they must be kept distinct.

16,406. (*Sir Ralph Knox.*) Does that 800,000*l.* include the increase of 2*d.* a day to the Army?—Yes.

16,407. That is a somewhat large matter, and that increase was made as the result of an inquiry by a Royal Commission into the recruiting of the Army. Do you not think that some such recommendation as that, coming from such a Royal Commission, must be admitted as a sufficient reason and generally applicable to the Army both at home and in India?—I am not at all arguing, Sir Ralph Knox, that those increases were wrong; I am only saying that they were put upon India without her being consulted, and when I think she might have been consulted and ought to have been consulted; and when you see such a difference in the result as in the case which I gave you about the majors of artillery, I think it is very likely that, if that had been put to the Indian Government, some mode of meeting it might have been devised. Do not suppose for a moment that I am claiming for the Government of India the right to interfere with the organisation of the British Army; I am making no such claim.

16,408. Nor to give her the power of veto on any of those changes?—No.

16,409. But to give her an opportunity of fitting the proposal to her convenience, as far as she possibly can?—Certainly. I am quite sure you will agree with me that no Chancellor of Exchequer would permit any outside power to put upon him charges of that kind without notice. This is an example of what I mean when I say that, particularly upon these military charges, the Government of India has not been as much consulted as I think it was entitled to have been.

16,410. (*Chairman.*) You are aware that it has been clear in several of these cases that the India Office was consulted, and that the Indian Government was not consulted. I think probably your Lordship will agree that in those cases where the War Office consults the Secretary of State that is a consultation of India by the Imperial Government. If the Secretary of State makes a mistake and does not consult the Viceroy, that has to be settled between the Viceroy and the Secretary of State?—But that does not touch my point; I am speaking for the Government of India, not for the Secretary of State. It may be as you say, but I think the Secretary of State in those cases always ought to consult the Government of India.

16,411. But, at all events, directly the Secretary of State has been consulted, the question passes away from any omission on the part of the Imperial Government?—No, it passes away from the War Office, but it does not pass away from the Imperial Government, if one of the Secretaries of State fails in doing what, I think, is his duty.

16,412. Yes, but in drawing a distinction between the Imperial Government and the Indian Government, when once the Indian Secretary of State has been made aware of this proposal, India has been consulted?—Theoretically, yes; practically, no.

16,413. Is there any other point to which you would wish to call our attention?—No, I think I have now touched upon all the points that I wish to bring before you.

16,414. (*Sir Ralph Knox.*) But do you think that, in the case of any changes such as those that are under contemplation, if a Royal Commission or an important Committee has considered some particular point and made recommendations, no action should be taken upon these recommendations by the Home Government until the question has been referred to the Government of India in detail, and considered in detail by that Government?—Speaking generally, I think the Government of India ought to be consulted. If they take an unreasonable time in answering, that is another question; but, looking at the condition of Indian Finance, particularly looking at what a serious thing it is to have your expenditure growing year by year in matters over which you have no control and of which you have no notice, I think there is a fair claim on the part of the Indian Government at least to have a power of making a remonstrance.

16,415. Would a communication by telegraph be sufficient, do you think?—It entirely depends upon whether you can make the communication clear; I think it would often be much easier to answer by telegraph than to make the original communication.

16,416. (*Mr. Buchanan.*) It has been suggested in some of the correspondence dealing with that subject that in a case like this, where a charge is being put upon India from here, the Royal Warrant should not be issued in India until the Government of India has given its consent—would you be in favour of this course?—That would be, as I understand it, giving them a veto. I am not prepared to go as far as that.

16,417. A suspensory veto?—I think they ought to be consulted before the matter has got to the stage of a warrant. The question must be considered before it is determined to draw up a warrant. That is the moment at which they should be consulted. I do not think that you could give them a veto upon a warrant. They might, of course, say "We are particularly "hard up just now; pray do not put this warrant "into execution in India immediately," and I should think they would have a very good ground for consideration in such a case; but I do not claim for them an absolute veto; I do not think that that could be done.

16,418. When you spoke of the consideration to be given to India in abatement of these charges between the two countries, what kind of abatements had you in view?—I had no particular kind of abatement in view.

16,419. In the early part of your evidence you rather indicated that India might get some abatement on the Home charges, the burden of which has so much increased upon her owing to loss by exchange?—I mean by that, that she might have favourable consideration upon those points. I will give a short example: I believe that the War Office think that a portion of the expense of the Head Quarters' Staff in England and of the War Office ought to be charged to India. Well, I think it is possible to maintain that view to a certain extent theoretically, though I do not myself agree with it; but I hold that that is a point where the favourable consideration, at all events, should come in.

16,420. But you do not mean to urge that the Home Government should bear a part of the loss caused to India by the fall in exchange?—No, I do not mean to suggest that.

16,421. On the other hand, would you urge any abatement of the charges between the two countries in any cases in which the charges put upon India might be looked upon as Imperial charges?—What case?

16,422. I was thinking of the case of Aden; I did not quite catch your answer?—My answer to that was, that I thought I would leave that as it stands. It has been suggested that Malta and Gibraltar, being on this side of the Suez Canal, are somewhat analogous to the case of Aden on the other side, but I do not myself see any necessity for reopening the question. It is quite a question for discussion. I have not considered it, consequently I cannot give a very decided opinion upon it.

16,423. Then take the cases of the Indian contribution towards the Chinese Legation, and the legations in China and Persia, do you think they are fair charges to put upon India?—None of these subjects have I considered, and I do not like to give an opinion upon them without having considered them. I think the two cases are not exactly on all fours.

16,424. Then are the abatements that you think might be equitably given to India, almost exclusively confined to military charges?—Mainly in regard to military charges I should say; but I admit the principle that she should pay for her army.

16,425. They are all to come after the 7*l.* 10*s.* capitation rate?—Yes.

16,426. India has to pay 7*l.* 10*s.*, or whatever sum may be fixed, for the capitation charge; but over and above that?—The capitation charge India pays now. It seems to me that, that having been fixed, it would be much better for both parties to adhere to it for the time for which it has been fixed.

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16,427. Assuming that India pays that, you still think that, in settling the accounts between the two countries, there might be equitable consideration given to India?—You have used exactly the words I should desire to use, equitable consideration.

16,428. (*Chairman.*) Equitable on both sides; equitable to the British taxpayer?—Quite so. I do not think that the Imperial Government is at all in the same position in regard to its finance, at least I hope not.

16,429. (*Mr. Buchanan.*) Do you think there is any risk of an equitable consideration not being given to the British taxpayer?—I was speaking exclusively of India. If you can prove to me that there are any equitable considerations that can be taken into account in regard to the Imperial Government, I shall be most happy to consider them.

16,430. Then one other question about the cost of the expeditions outside the limits of India. I gather that your opinion is that, whenever Indian troops are employed by the Imperial Government outside the sea limits of India, they should be paid for by the Imperial Government, and that afterwards it should be taken into consideration whether India ought to make a contribution to the cost of the expedition?—That is my opinion.

16,431. Where the Indian troops are employed outside the land limits of India, then, is India to bear the first charge? Supposing there is a war with Persia?—I did not include Persia when I spoke of the Indian sphere of influence. Persia would come under the other head; the question would have to be considered whether there were Indian interests in that Persian expedition, and to what extent they went.

16,432. Do you treat a Persian expedition in the same way as an expedition outside the sea limits of India?—Yes.

16,433. Then an Afghan expedition?—That I consider to be within the limits of the sphere of influence of India. I think you might really put the thing in this way. Expeditions which are commanded in chief by Indian officers and are under the sole direction of the Indian Government, might be taken to be expeditions of the first kind; expeditions which are commanded in chief and provided mainly from England, may be taken to belong to the second.

16,434. That might be subject, of course, to the obvious limitation that everywhere outside the sea limits of India the charges are to be borne by the Imperial Government?—Yes; in the first instance.

16,435. Then, after that, you would desire that the question of what contribution should be made by India, should be determined by some arbitrator, acting upon the terms of a Treasury Minute, which it might be possible to draw up?—I do not think that was put to me.

16,436. Then, what would be the procedure that you would have in contemplation?—What I understood to have been put to me was this; there is to be a Treasury Minute, which is to regulate these questions as far as it can; and the point to be put to the arbitrator under that Treasury Minute should be how a particular expedition was to be classed—the foundation of the arbitration was to be a definite minute.

16,437. (*Chairman.*) I think we must remember that Lord Northbrook's proposal was, not that the decision should lie with an arbitrator in such a case of policy as you are dealing with now, but that it should be absolutely in the power of the Indian Government?—Yes.

16,438. Lord Lansdowne did not like the idea of an absolute veto, even under those limitations, being given to the Indian Government, and he preferred the arbitrator?—Yes.

16,439. But the most fought-out proposal before us was Lord Northbrook's, which left the veto to the Indian Government?—Yes.

16,440. (*Mr. Buchanan.*) But what is the idea in your mind? Supposing you have the case of Indian troops being employed in some expedition over the sea borders of India, the Imperial Government is to bear the charges, and then it has to be considered whether India should contribute to the expedition; who is to determine what contribution India is to make, if she makes any?—If you could lay down definitely by a Minute of any kind the principles upon which the decision is to be based, and if it does not involve questions of policy, then I think you might go to an arbitrator in regard to it; but, if you do not lay down a definite principle, I do not see how he is to arbitrate; he cannot arbitrate out of his own head. Take the case of an expedition to Suakim; is India interested in it, and is she to pay for it? You would leave that to the arbitrator.

16,441-2. But you would be in favour of the Departments here at home endeavouring to draw up a general Treasury Minute, which should settle the character of the contribution that India, or the Home Government, should make?—A general minute. My belief is that, if a general minute could be drawn up, you would have very little use for your arbitrator.

16,443. Then you would be in favour of a Minute being drawn up, if possible, which should settle those questions?—Yes.

16,444. (*Chairman.*) There would then be no necessity to go to any arbitrator?—Probably not.

16,445. This minute would define, as far as possible, the Indian interests, and the Indian Government would then be bound to judge, in accordance with the terms of the minute, whether Indian interests were concerned?—Quite so, but I do not go that length; I think it is a one-sided arrangement; I should prefer the arbitrator to that.

16,446. (*Mr. Buchanan.*) Well, when we have got past that stage, section 55 of the Government of India Act comes into operation, and you have still got to have a resolution of both Houses of Parliament?—Yes.

16,447. And you would contemplate maintaining that?—I think it is important. I should contemplate retaining it, because it deals with the question of policy, which is not to come before your arbitrator.

16,448. Well, would not that decide the question of policy then?—Under my proposal that the whole of their expense is to be paid by the English Government in the first instance, I suppose that resolution would not be required.

16,449. Unless you altered the Act, that resolution would still be required, because it is imperative?—I thought the resolution was required only when any charge fell upon India.

16,450. (*Sir James Peile.*) Yes?—That is the law. The consent of Parliament is not required when any troops are employed outside India, but only when any charge falls on the revenues of India in consequence.

16,451. (*Mr. Buchanan.*) It would only be required when the charge fell?—Yes.

16,452. Yes, I see?—If out of the total expense of such and such an expedition, say, 500,000*l.* is to be paid by India, then you would have to have your resolution. I am in favour of the resolution because it deals with the question of policy.

16,453. But you do not think that the operation of that section of the statute has turned out favourably to the financial interests of India in the past?—I doubt if it has had any effect at all.

16,454. Well, it has always confirmed the judgment of the Home Government?—That is what I mean; I do not mean to say by that that I do not attach importance to the resolution; I do attach importance to the resolution, but in the past I do not think it has had any practical effect.

(*Mr. Buchanan.*) Except that it has always given a decision contrary to the opinion of the Government of India.

16,455. (*Sir William Wedderburn.*) I think I understand that this suggested arrangement would, in your opinion, tend to a fair settlement, because, of course, the Treasury Minute adopted beforehand would be upon equitable principles, without foreseeing the exact case to which it would be applied?—Quite so.

16,456. And that the interpretation of that Minute will rest with an independent tribunal of some sort?—That is what I mean, with the limitations that I have given.

16,457. Yes, and therefore, even if it is a few pounds one way or the other, that would not so much matter as the general belief in India that the case was being fairly and honestly dealt with?—I think that of very great importance, and that is the reason why I am favourable to a system which in itself I do not think I should have proposed—it is mainly with the view of satisfying India generally that her case has been impartially considered.

16,458. I think I am right in saying that the impartiality and independence of the Judicial Committee of the Privy Council is held in very high esteem in India?—I believe that to be the case.

16,459. Would you see any very strong objection, supposing the Judicial Committee were willing to undertake that duty of interpretation, to referring it to them?—I should hardly have thought that the Judicial Committee was the body required for the purpose. It is a large body, and I should rather have thought that an independent arbitrator, or, if you like it, three arbitrators, might have been devised, independently of the Committee; but I have no very strong opinion one way or the other about it. I think I should prefer an independent arbitrator—an arbitrator separate from the Judicial Committee, though he might be a member of the Judicial Committee.

(*Chairman.*) Would you explain the object of your question; are you applying your proposal to questions of policy?

(*Sir William Wedderburn.*) No, to the interpretation of the Treasury Minute.

(*Chairman.*) The Treasury Minute would apply to a question of policy—I only want to make it quite clear what you are arguing for. Are you arguing that the Judicial Committee of the Privy Council shall decide whether, in a particular instance——suppose, say, Indian troops have been asked for for Zanzibar—that is an Indian interest or not?

(*Sir William Wedderburn.*) I should only wish the Judicial Committee to interpret the Treasury Minute, apart from the question of policy.

16,460. (*Chairman.*) You would send the question of the despatch of these troops to the Judicial Committee of the Privy Council?—If the Indian Government differed from the Home Government as to the interpretation of the Treasury Minute; the matter would go before the arbitrator. All my answers must be taken subject to the limitations I have previously expressed. Sir William Wedderburn should understand that.

16,461. (*Sir William Wedderburn.*) Supposing the Treasury Minute were indeterminate on the question of policy, it would always be open to the arbitrators to say that it was indeterminate, and that they could not decide, in which case the Treasury Minute could always be amended to meet such cases?—Amended for the future?

16,462-4. Amended for the future, yes. Then I wish to ask a question on this matter of the loss by exchange, regarded as a ground of claim for consideration on behalf of India. The loss by exchange arises mainly from the necessity of paying Europeans at European rates?—Are you speaking of the Army?

16,465. I was rather referring to the civil administration, but also to the Army. That heavy charge for loss by exchange could in some measure be met by a gradual substitution of native agency, paid on the rupee basis, for European agency, paid upon sterling basis?—Certainly, if you employ more natives of India, you would not have so much money to remit to England.

16,466. That would be the way to meet, to a certain extent, that difficulty?—That entirely depends upon whether you can employ more natives of India.

16,467. I mean as far as possible?—Yes, I mean that another question altogether comes in, to what extent you could employ natives of India. My view, of course, has always been that you should employ natives of India as largely as you can; I look upon that as a very important matter. Not merely from the financial point of view, but for other reasons; but on the other hand I have always held, and do distinctly hold, that, as long as the British Government is in India, there must be a considerable employment of persons of British race in the Civil Service, and that there is an irreducible minimum in regard to the employment of Europeans below which you ought never to fall.

16,468-9. I think that necessity is quite admitted by all Indian public opinion; but I was only asking whether, when practicable and proper, the employment of Indian agency does not tend to meet this financial difficulty of loss by exchange, because a heavy additional burden has come recently in the way of compensation of European officials?—Yes, it would.

16,470. Of course that special charge would have been met, had the appointment in each of those cases been held, where possible, by an Indian official?—But you cannot deal with that question on purely financial grounds; it involves a great many other considerations.

16,471. I do not propose to do so. Then, with regard to the possible checks upon expenditure. I suppose the only ultimate check in all countries, which, directly or indirectly, tends to economy, is the unwillingness of the taxpayer to pay?—There is an unwillingness in all taxpayers to pay any taxes. There is what I think Mr. Canning, or somebody else, called an ignorant impatience of taxation, existing in all countries; but, although many taxpayers pay very unwillingly, still they pay. If the unwillingness becomes such that they will not pay, that is, of course, a serious practical difficulty.

16,472. The principal opportunity of making the taxpayers' voice heard is, I think, in the Legislative Councils through the independent members of the Legislative Councils?—I should scarcely have said that, in these days of the Press. I hope I shall not offend members of Parliament who are present, but I think the Press is much more powerful than Parliament, or any legislative assembly, in making the voice of the people heard.

16,473. But I think you attach value and importance to the opinions expressed by the independent members of the Legislative Councils in India?—Certainly.

16,474. Since the time that your Lordship was Viceroy an extension of the representation of the independent element has been accorded; have you considered whether that might still further be increased?—I have not considered that question very recently. I thought that the change which was made, I forget exactly when but not many years ago, should require a full trial before it was proposed to alter it. At that time I, myself, should in some respects have been inclined to make that representation more direct than it is under the Act; but I should not wish to imply by that that I think the Act should now at this particular time be revised.

16,475. The particular point which has been asked for by all Indian public opinion and by members of the Legislative Council is, that unofficial members should be allowed to move amendments upon the Budget and divide the Council upon it, in order to make more definite the objections that they have or the suggestions they wish to make?—That appears to me to be much more a political question than a financial question. To make such a change would involve something in the nature of establishing a Parliament in India. That is a very grave matter for consideration. I do not think you could adopt that course solely upon financial considerations.

16,476. I was bringing it under the question before us, as a part of the financial control?—Yes, but I can only answer it upon its financial aspect before this Commission.

16,477. But as a financial check it would be valuable if it were unobjectionable politically?—It might or it might not. I am not convinced that all legislative assemblies are economical—I am not even quite convinced that legislative assemblies that meet not far from here are in the present day very economical. I am not clear that it would produce a reduction in the total expenditure. That is what we are looking at; we are not looking at the details of any part of the expenditure, we are looking at a reduction in the total expenditure; whether it would reduce that or not I could hardly say.

16,478. Then another method of checking and controlling expenditure was referred to, namely, in the House of Commons?—Yes.

16,479. You have experience of both Houses?—Yes.

16,480. It has been suggested that, when the East India accounts are received (which they will be in a few days), they should be referred to a Select Committee to consider them in a mature way, and to report to the House?—I would say, in the first instance, in answer to that question, that I fully recognise the unsatisfactory nature of the discussions that take place on the Indian Budget in these days under the present system. I think that that is very unsatisfactory, and I should like to see it amended. I have no particular objection to the appointment of a Select Committee, though whether it would have the desired effect or not I do not know. I do not think that either the Secretary of State in Council, or the House of Commons, or any other body in England, can really deal with the details of Indian expenditure. What I said at the beginning

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of my examination I reiterate. The question is a question of policy. Policy it is which the Secretary of State and the Cabinet and Parliament have to deal with. No great questions of policy can be decided by the Indian Government without the sanction of the Secretary of State; and, if you want to make a material reduction of the Indian expenditure, you must consider it in the light of policy. That is what I think is the particular function of the Secretary of State, and, after him, of Parliament, but to deal with the details of an Indian Budget ought, in my opinion, to be left to the Government of India. As an ex-Viceroy, perhaps I am a little jealous of the Viceregal power, but I think that function ought to be left in the main to the Governor-General in Council; but keep your eye, if you want to be economical, upon questions of policy.

16,481. But would not Parliament be in a better position to judge of the question of policy, as conjoined with expenditure, if there were, at any rate, an attempt made to sift and consider carefully these points, before they are offered for debate on the occasion that is generally called the Indian Budget?—I do not think that discussion would affect the policy much, because the policy would have been decided upon, and the money would have been spent. I am not putting this as an argument against the proceeding you are suggesting, but only against its having any very large effect. I should like to make one remark: under the old system of the East India Company it came about that, as their charters were granted for limited periods, when that limited period was nearly run out, Parliament was in the habit of appointing a very important committee, upon which it generally put, if I am not mistaken, some of the foremost men in the House of Commons, to look into the whole question of the Indian Government during the period of the expiring Charter, and to make a full report upon the whole subject. Now, it has often struck me, that by the abolition of the East India Company, and the fact that there are no limited charters now running out, that solemn—if I may say so—inquiry by the principal men in Parliament does not take place; and I have thought that it might now be a very good thing to have such an inquiry regularly fixed, not yearly, because that is a great deal too short an interval, but at considerable intervals, so that at the expiration of a certain period of years a committee of the kind I have mentioned should be appointed to look into the state of the Indian Government. I think you would deal with policy more thoroughly in that way than you would with your annual Committee examining the Budget.

16,482. Then, would you be in favour of enacting that there should be such an inquiry, say every 20 years, as there was at the renewal of the East India Company's Charter?—I have not in my mind an Act of Parliament, and I cannot say whether an Act of Parliament would be necessary for the purpose. I think the system would be a good one.

16,483. Because ever since the 20 years elapsed after the inquiry in 1856, we have been trying to get such an inquiry every 20 years, and we have not been able to get it; but if it were enacted, then it would come automatically. There is just one other point on which I wish to ask a question. I think, during your time of office in India, one of the most important reforms introduced was that in the direction of local self-government?—Yes.

16,484. I think that had to a great extent a financial bearing; is it not the case that the Government felt themselves almost driven to some measure of that sort, owing to the extreme financial difficulty of meeting all the claims for increased administration?—My recollection does not lead me to think that that was a determining consideration in the policy; you may be quite right, but I do not remember it.

16,485–6. I do not wish to deal with the other reasons, because we are considering specially the financial side. But I think also, from my recollection of the minutes and memorials, that there was a strong idea of economy by obtaining the voluntary service of the respectable villagers and others, instead of the low-paid agency which in India is of so unsatisfactory a kind, in the improved administration?—My memory does not enable me to say that that was a determining consideration. It may have been the case, but I do not remember it at this moment.

16,487. I rather wished to bring out this point. One of the difficulties, it appears to me, in the Indian administration is that, however good and undoubtedly good the agency may be at the top of the hierarchy, we have to deal with the people ultimately by a lower-paid agency, which is of a peculiarly unsatisfactory kind in India. I thought, therefore, that, besides the other general benefits, there was very great saving from employing the unpaid agency of respectable citizens in place of this agency of *peons* and *chuprassis* which we are driven to use in our ordinary official administration. That was the point I wished to bring out?—And, as I say, I do not remember having considered that point particularly. I am very glad if I may gather from your question that it has had that effect.

16,488. (*Mr. Naoroji.*) I take it for granted that a certain irreducible minimum of Europeans is necessary in India?—Yes.

16,489. As you suggested, that necessity arises from the necessity of maintaining British rule in India; is it not so?—Yes.

16,490. If that is the case, it is a large and vital British interest which necessitates the employment of the Europeans as absolutely necessary, as you have said. And I will grant also that the employment of Europeans up to that irreducible minimum is beneficial to the Indians also—I take both for granted, that it is beneficial to both; it is important to British rule and Britain itself as well as to the Indians, I take that for granted?—Yes.

16,491. Well, then, in that case, as it is of vital importance to Britain as well as to India, is it not fair that Britain should take some share in the expenditure occasioned by the employment of Europeans?—No, I do not think so; I think that the Government of India, speaking broadly, must be paid for by India herself.

16,492. Yes, the Government of India must be paid for by India herself as far as the Indian agency is concerned; everything that may be necessary for India; but when you impose a special agency, a foreign agency, which introduces a very uneconomical or a very destructive economic condition in India; and it is entirely owing to the necessity, the vital necessity, of Britain itself; is it not fair that Britain should contribute something towards the maintenance of that vital interest?—But does not that raise the whole question of whether the British Government is to the advantage of India or not?

16,493. The advantage of Britain or not?—The advantage which England derives from the possession of India is a very large question, upon which a great deal might be said both ways.

16,494. That is all that I meant, that if it is to the advantage of India, it is also to the advantage of England; and this particular employment of Europeans is necessitated entirely for the advantage of England. I allow the advantage to both, and therefore I say Britain is, in fairness, bound to contribute something towards the advantage which is especially attained by this expenditure, I mean the expenditure on Europeans which is an absolute necessity for English rule?—I understand your argument, and it is not an unnatural one.

The Witness withdrew.

(Adjourned till Thursday next at 11 a.m.)

At the India Office, S.W.

FORTIETH DAY.

Thursday, 25th March 1897.

PRESENT:

THE LORD WELBY, G.C.B. (CHAIRMAN, PRESIDING).

Sir WILLIAM WEDDERBURN, Bart., M.P.
Field-Marshal Sir DONALD STEWART, Bart., G.C.B., G.C.S.I.
Sir RALPH KNOX, K.C.B.
Sir JAMES PEILE, K.C.S.I.
Mr. G. L. RYDER, C.B.
Mr. T. R. BUCHANAN, M.P.
Mr. W. S. CAINE.
Mr. R. G. C. MOWBRAY.
Mr. COLIN G. CAMPBELL, *Secretary*.

Mr. DADABHAI NAOROJI, a member of the Commission, examined.

Mr. Dadabha Naoroji.

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16,495. (*Chairman.*) Will you state what public position you have held, and what opportunities you have had of becoming practically acquainted with public affairs relating to India, and to what class of questions you have given special attention?—From my early days I have been associated with those who have been working for the social, political, and material improvement of India, and was a member of various reform associations in Bombay, sometimes as president and secretary; in 1851 I founded the "Rast Goftar," a cheap weekly journal in Bombay, of which I was proprietor and editor. After some years' service in the Educational Department, I was in 1854 appointed Professor of Mathematics and Natural Philosophy in the Elphinstone College, being the first Indian appointed to a professor's chair. In 1853 I was one of the founders of the Bombay Association, and at the inauguration I declared my political creed of faith in the conscience and justice of the British people. In 1855 I and two other Parsi gentlemen opened the first Indian business firm in England, in London and Liverpool, and I remained in business as a merchant and commission agent till 1881. In 1867 I, with others, founded the East India Association in London, and induced some leading Indian princes to subscribe an endowment for it. In 1869 we founded the Bombay branch of the East India Association, and some years subsequently, the Bombay Presidency Association. In 1873 I gave evidence before Mr. Fawcett's Select Committee on Indian Finance. In 1874 I was Dewan, or Prime Minister, of Baroda. In 1875–6 and afterwards in 1881 to 1885 I was a member of the Town Council of Bombay, and in 1885–6 I was appointed a member of the Legislative Council of Bombay. In 1885 I was one of the founders of the Indian National Congress and presided over the meeting at Calcutta in 1886. In 1892 I was returned M.P. for Central Finsbury, and was a member of the House of Commons till 1895. In 1893 I visited India to be president over the ninth Indian National Congress at Lahore, and on the occasion was accorded a reception of a marked kind in various parts of India. For the last 40 years I have paid special attention to the material condition of the masses in India, and have published books, pamphlets, and speeches setting forth my views on the subject.

16,496. In what form would you prefer to give your evidence?—I have handed in to the Commission six printed statements. These statements contain the facts, figures, and authorities upon which I rely, and I am prepared to be cross-examined upon them.

16,497. The statements which you have put in deal with a variety of subjects which perhaps hardly fall within the scope of the reference to us. Of course you are aware our Commission only permits us to inquire into the administration, management, and apportionment of expenditure, and I should like to ask you to let it be understood between yourself as a witness and the Commission that you are prepared to limit yourself within reasonable bounds to the instructions of the Commission?—Oh, I am quite within the instructions of the Commission in what I have said and in what I propose to say.

16,498. Perhaps you could place before us in some concise form the leading facts and figures upon which you rely in those statements?—The headings under which my evidence falls are: the Administration of Expenditure, the Apportionment of Charge, and Practical Remedies. Upon each of those headings I am prepared to state categorically my most important contentions on behalf of India.

16,499. Will you state your propositions with reference to the first heading you mentioned, the Administration of Expenditure?—Yes. I consider that the Act of 1833, confirmed by the pledges contained in the Queen's Proclamation of 1858, conferred upon Indians a right to their full claim and share of public employment and emoluments and voice in their own expenditure, in order to secure their happiness and prosperity and good government, and attachment to British rule, and the prosperity of the British people themselves. I maintain that the administration of Indian expenditure is not conducted according to the principles thus laid down, and that the non-fulfilment of these pledges has produced poverty and degradation; the inherent and essential defect of British administration being the financial, political, and intellectual drain, which is inseparable from a remote foreign dominion exercised in disregard of the sound principles above stated. In my six statements I set forth the facts of India's poverty, as shown by the comparative production and consumption of each province, by calculating the average production of Indian per head, by analysing the trade returns, and by reference to the small amount of revenue obtained after exhausting all sources of taxation. I maintain that the impoverishment and degradation of British India has been caused by the compulsory employment of costly foreign official agencies and foreign capital (represented by the public debt, political and commercial) beyond the means of the taxpayer, resulting in a drain from British India, financial, political, and intellectual—aggravated by heavy frontier Imperial war expenditure—and that, indirectly, the foreign dominion has caused a further drain by creating a practical monopoly in favour of foreign private capital, which reaps the advantage of British India's material resources.

16,500. That is a general statement from your point of view upon the administration of India; but it does not give us your opinion on the questions more immediately before us, namely, upon the different branches of expenditure, to explain the details of which we have had before us the official witnesses. Have you anything to state upon those branches of expenditure, and upon the official evidence that has been placed before us?—Yes. Shall I wait until later, or shall I give my views now.

16,501. I will take the question, if you wish it, later; I am only anxious at the present moment to know how far you intend, by the answer you have given, to express your opinion upon the administration of expenditure?—Yes, that is the general answer I have given; shall I go now to the question of the machinery?

16,502–4. I think, if you are prepared to go on with that subject, perhaps you had better take it at this point?—

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Very well, I will give such criticisms as I can offer upon the administrative machinery of the expenditure of India. When in August 1894 we asked for an inquiry, Sir Henry Fowler said that a very strong indictment of the British Government of India had been brought before the House and the country (15th August 1894). And then Sir Henry Fowler, when promising a Select Committee, himself challenged: "The question I "wish to consider is whether that Government, with all "its machinery, as now existing in India, has, or has not, "promoted the general prosperity of the people in its "charge; and whether India is better or worse off by "being a province of the British Crown." And this is the question to which an answer has to be given by this Commission, whether the present machinery of administration and management of the military and civil expenditure incurred in both countries "has or has not," as one of its results, "promoted the general prosperity of the people" of British India. I say that it has not promoted the general prosperity of the people. In the statements I have given in I have considered every aspect of this fact, which was the most important point of the inquiry. The most important criticism, therefore, to which this machinery is subject is that it is based on the basis of foreign domination. This is its worst evil. It is a machinery for what Lord Salisbury very correctly calls bleeding. However perfect the mere rules of the work to be done by the officials may be, the system or machinery is a crushing machinery. It produces in the words of Lord Salisbury a "terrible amount of misery." The machinery not only "bleeds" directly, but by the economic exhaustion of the people, leaves the resources of the country entirely at the mercy and disposal for exploitation by foreign capitalists. I have in my six statements shown this fully. India cannot afford to be governed by this crushing machinery. The Duke of Devonshire and Sir William Hunter have quite truly pointed out that India must be governed by its own native labour and at native rates. In the rates, although with equal efficiency, there will be at least one-third saving according to Government's own scale, but I feel that more saving can be made. In reality, the employment of a native is a whole saving to the country, inasmuch as it provides a native, and the money remains in the country to fructify in the people's own pocket, instead of its being consumed and carried away by somebody else. This machinery inflicts the triple calamity of depriving the Indians of wealth, employment, and experience.

16,505. How do you propose to improve the machinery in the way you desire?—One of two ways, or partly both ways, must be adopted to improve this machinery and remove its chief fundamental evil. Both these ways I have already indicated. 1. That native labour must replace foreign labour; and, 2. If any amount of foreign labour is considered as absolutely necessary as it is insisted on, as being necessary for the maintenance of British rule in India, and British supremacy in the east, the British Government ought, in justice, pay a share for its common interest with that of India. The machinery may be divinely perfect in its rules, but in its constitution or personnel it has a deep evil, and this evil ought to be remedied if Britain is to be a blessing and a benefit both to India and itself. At present this machinery renders Britain an evil to India instead of a benefit and blessing. I have not much intervened in examining details of departmental expenditure which have been examined with much trouble by the chairman, and so also the question of financial control. Such examination at proper intervals, as used to be the case in the time of the company, serves the important purpose of keeping the Government up to mark in case of expenditure. But unless the whole administration of expenditure is put on a natural basis, all examinations of details of departmental expenditures, &c., will be only so much "palliating with symptoms," and will bring no permanent good and strength either to the Indian people or to the British supremacy. However much you may change the rules or system of work, as long as this evil lasts as at present there cannot be good or beneficial government of India. My statements fully prove this. As this return (192 of 1892) on the salaries shows, there are about Rx. 15,000,000 paid annually for salaries, &c., above Rs. 1,000 per annum. Add to this all that is paid to the European soldiers, and in a rough way it can be said that about 18 or 20 millions of Rx. are paid to Europeans every year. I asked for the correct amount but have not obtained it. Economically it is a loss to Indians, and more especially the portion that goes clean out of the country as savings and pensions and salaries paid in this country. I take an instance: Suppose a European servant draws a salary of Rs. 1,000 a month. He uses a portion of this for all his wants of living, comfort, &c., &c. All this consumption by him is at the deprivation of an Indian who would and could, under right and natural circumstances, occupy that position, and enjoy that provision. This is the first partial loss to India, as, at least, the services enjoyed by the European are rendered by Indians as they would have rendered to any Indian occupying the position. But whatever the European sends to England for his various wants, and whatever savings and pension he ultimately, on his retirement, carries away with him, is a complete drain out of the country, crippling her whole material condition and her capacity to meet all her wants, a dead loss of wealth together with the loss of work and wisdom, *i.e.*, the accumulated experience of his service. Besides, all State expenditure in this country is a dead loss to India. This evil of bleeding must be removed from the present machinery of administration of expenditure as I have said, by treating India fairly for common purposes and by substituting native labour for foreign or European labour. The Rx. 20,000,000 are not by themselves the only evil. They return in the shape of capital and drain away a great deal more.

16,506–7. I beg your pardon. Would you explain that statement more fully?—There is regularly a transfer of a large portion of this Rx. 20,000,000 to this country adding to its capital; a portion of that again comes back to India as capital. Well, we are left entirely helpless, because we cannot make any capital, and, therefore, the foreign capitalist exploits, or uses to his benefit, all the resources of the country and carries away so much more in profits, in interests, and in every way. If we were free to accumulate our own capital fully we should be able then to compete on equal and fair terms with the foreign capital coming in, and there would be perhaps more benefit than evil by the foreign capital. At present we suffer it as an evil because we are helpless and on the ground, and foreign capital comes in and develops the resources for their benefit, and carries away the whole profit that is obtained out of those resources. We are simply used as common labourers, mere hewers of wood and drawers of water. That is the only position to which we are reduced.

16,508. That goes a little bit beyond my question. I understand the ground upon which you base your opinion, but I do not quite connect it with this Rx. 20,000,000. Do you think that a soldier who receives his part of the Rx. 20,000,000, immediately lends it out in India again, and do you make that a grievance?—No, it comes indirectly in the usual economic way.

16,509. I want to connect it with this particular Rx. 20,000,000. I want to connect it with the soldiers' or civilians' pay, and I cannot follow you when you say that the soldier with his 1*s.* a day or 1*s.* 6*d.* a day, and the civilian with his so many rupees a month lays it out so that it returns in the shape of capital and drains away a great deal more. I confess that I am unable to connect the two things?—It does not do it directly, but the economical result of that is that a large portion of the capital of the wealth of India is drained to this country and goes back to the other country in the shape of capital not exactly earmarked that it is the 1*s.* of the soldier or that it is the 100*l.* of the civilian that exactly formed that capital, it all comes into the great reserve of the capital of this country and from it again the capitalist takes it away back.

16,510. And therefore, you do think it an evil if the soldier, out of his large surplus income, invests it in any Indian securities, that is a mischief to India, is it?—The evil is in this way, that India therefore is unable to make any capital to make any benefit out of its own resources. The foreign capitalist comes in, both European as well as native — there are capitalists from Native States — and works up those resources and carries away the profit out of the country again. It is so much additional loss to the country on account of its helplessness. The original cause being these Rx. 20,000,000 drawn from them.

16,511. And the deduction which I must draw from that is that the investment by the soldier of his surplus pay in Indian securities is an evil to India?—Yes, in a way, I say that it comes indirectly.

16,512. I only want to follow that—that you regard the investment by the soldier of his surplus pay in Indian securities as an evil to India?—It comes in indirectly, it is economically an evil.

16,513–4. (*Sir William Wedderburn.*) To illustrate your meaning, if there is a gold mine in Mysore which yields 10 per cent., the Indians there, having no accumulated capital, are not able to undertake that enterprise, and this 10 per cent. profit goes to English capitalists instead of to Indian capitalists, so that India gets no benefit from her gold

mines. That, I understand, is the sort of idea?—Yes, and so with regard to all resources.

(*Chairman.*) I was under the impression that that was the meaning in Mr. Naoroji's mind. Only you observe that he connects it with the particular payments made to the soldier and civilian; and it seemed to me that to connect the question of investment of capital with the surplus pay of the soldier and the civilian, and with what they do with that surplus pay, is really building too big an over-structure on a narrow foundation. If Mr. Naoroji puts it to us in the form in which you have put it to him, we should understand it. I only want to make quite clear what he means with regard to this particular Rx. 20,000,000.

16,515. (*Sir James Peile.*) It is a pure assumption that India is helpless and has no capital?—That is what I have proved in my six statements.

16,516. No, you have asserted it—not proved it I think?—But it is there.

16,517–8. Would you consider the fact that almost every year in India four or five crores of rupees are raised as a public loan?—How much of that comes from the Native States, we should like to know.

16,519. But you do not know how much?—Well, that is what I want to know from the India Office and from the Government of India. I shall have a remark to make about our not knowing certain things further on.

16,520. Yes?—But, with regard to that, when you consider that out of the 300 millions of people in the general poverty of course there is a small portion that has some little capital and that very little capital comes out in some way of investment. That certainly does not enable India to go in freely with all its own resources to develop its own resources for its own benefit as Sir William Wedderburn has just pointed out. It is in this way that we are not able to develop our own resources, which we would otherwise do if we were not deprived of this money every year.

16,521. (*Mr. Mowbray.*) What evidence have you as to the accumulation of capital in India before the time of British rule?—India has been well known to be a rich country before the time of British rule, that it is its own riches that has brought all these invasions upon it, otherwise I do not think that the English would have come there had they thought that they would get no benefit out of going to India and merely to go on a quixotic expedition in order to save India from destruction or anything of that kind. And, besides that, the very fact that such an amount of wealth has been drawn from India shows that it has a capacity for producing if it is only allowed to enjoy what it produces.

16,522. (*Chairman.*) One question more about this Rx. 20,000,000?—Yes.

16,523. I want to be perfectly fair on the subject. You speak of this Rx. 20,000,000 as if it went to England and was then returned in the shape of capital to India; but is it not the case that a very large amount of it is spent on the spot in India by the civil servant and by the soldier?—Yes.

16,524. And, therefore, are you right in putting it forward that Rx. 20,000,000 comes to England and goes back again in the shape of investment?—No, I do not put the whole Rx. 20,000,000 as going to England. I first explained how a portion of it is spent in India; that portion is still to a certain extent to the detriment of an Indian, who would have taken his place; but that portion is spent there so far, with the loss that it is not enjoyed by an Indian but by a European.

16,525. I do not want to press this unduly, but would you not, therefore, modify your statement, "that "Rx. 20,000,000 are not of themselves the only evil; they "return (that is the Rx. 20,000,000) in the shape of capital "to drain away a great deal more"?—Yes, I take the Rx. 20,000,000 as representing the whole evil, not simply for what passes out of the country, but what is also consumed in the country by somebody else other than the Indian, but it is the actual amount of capital; of course I mean that the actual amount of capital that goes clean out of the country is what is left after allowing for what is spent there, so far as among the Indians themselves—I do not mean to say that the whole of the Rx. 20,000,000 goes bodily out of the country entirely; I do not mean that.

16,526. Well, but that is your statement?—Oh, yes.

16,527. You would probably wish to modify that?—I think I have modified it; in fact, I have shown that this is the partial loss, and the other, which goes out of the country, is the entire loss. Oh, yes, that may be clearly understood; it is clear on the face of it. Shall I go on.

16,528. Yes?—The present machinery of foreign domination of government is most destructive in every way. If England were subjected to such machinery, notwithstanding all its present great wealth, it would be, like India, impoverished before long. The one other necessity to improve the machinery is that the people themselves must have a voice in its conduct. Till the people themselves have a voice, it is simply an Oriental despotism, and India does not derive that blessing which it has a right to demand from Britain, of a constitutional government in place of a despotic government of the worst kind; "the heaviest of "all yokes is the yoke of the stranger" as Macaulay has truly said. Then the present machinery requires to be improved by the employment of native labour, by a fair share in the expenditure, of all that is insisted as necessary of foreign element in the services to maintain British rule, and to give to the Indians the true and the only important blessing of the British rule, the right of British citizenship, of having a voice in its own expenditure, thereby fulfilling all the solemn pledges and Acts of Parliament which the British people by every honour are bound to fulfil, and which have been so far dishonourably ignored and not fulfilled by the executive Governments in both countries. I feel bound to repeat, that if the machinery of a number of Native States, as suggested by Lords Salisbury and Iddesleigh, be carried out, all the requirements of Britain's best interests and India's best interests will be fully realised and fulfilled. I do sincerely hope that this Commission will see their way to an improvement of the present machinery, in a way beneficial both to England and India. I may add here my agreement to what I have already quoted from Sir Wm. Hunter: "But the "good work thus commenced has assumed such dimensions "under the Queen's Government of India that it can no "longer be carried on or even supervised by imported "labour from England, except at a cost which India "cannot sustain," . . . "40 years hereafter we "should have had an Indian Ireland multiplied fifty-fold "on our hands. The condition of things in India compels "the Government to enter on these problems. Their "solution and the constant demand for improvement in "the general executive, will require an increasing amount "of administrative labour. India cannot afford to pay "for that labour at the English rates, which are the "highest in the world for official service. But she can "afford to pay for it at her own native rates, which are "perhaps the lowest in the world for such employment." "You cannot work with imported labour as cheaply as "you can with native labour, and I regard the more "extended employment of the natives not only as an act "of justice, but as a financial necessity." "The "appointment of a few natives annually to the Covenanted "Civil Service will not solve the problem. . . . If we "are to govern the Indian people efficiently and cheaply "we must govern them by means of themselves, and pay "for the administration at the market rates of native "labour." This, I say, is a fair statement of the principal imperfections and evils of the present machinery, which must be improved as suggested. This peculiar inherent evil, or fundamental error, in the present British Indian administration and management of expenditure, and its consequences have been foretold more than 100 years ago by Sir John Shore (1787): "Whatever allowance "we make for the increased industry of the subjects of the "State, owing to the enhanced demand for the produce "of it (supposing the demand to be enhanced), there is "reason to conclude that the benefits are more than "counterbalanced by evils inseparable from the system "of a remote foreign dominion." And it is significantly remarkable that the same inherent evil in the present system of administration and management of expenditure has been, after nearly 100 years, confirmed by a Secretary of State for India. Lord Randolph Churchill has said in a letter to the Treasury, (1886): "The "position of India, in relation to taxation and the sources "of the public revenues, is very peculiar, not merely from the "habits of the people and their strong aversion to change, "which is more especially exhibited to new forms of "taxation, but likewise from the character of the "Government, which is in the hands of foreigners who "hold all the principal administrative offices, and form "so large a part of the Army."

16,529. (*Sir James Peile.*) Might I interrupt you, is that true that you have just read, "who hold all"?—Hold all the principal administrative offices.

16,530. All?—Yes, that at least is the assertion of the Secretary of State, but there are a few Natives now, I think,

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in those appointments—very few—such as a few Chief Justices.

16,531. A few Chief Justices?—I mean the judges, and there has been some little advance in the application of what was incorrectly called the Statutory service; but they have put an end to that.

16,532. Well "all" is not correct, then?—All the highest offices is certainly correct.

16,533. That has been much qualified, has it not?—Well, it is qualified to a very small extent in regard to some of the inferior offices; still, I have quoted what the Secretary of State says.

16,534. (*Sir William Wedderburn.*) But the judges are not administrative departments?—No, not administrative nor executive.

16,535. All the principal administrative offices?—Yes, all the principal administrative offices. "The impatience "of new taxation which would have to be borne wholly "as a consequence of the foreign rule imposed on the "country, and virtually to meet additions to charges arising "outside of the country, would constitute a political "danger, the real magnitude of which it is to be feared is "not all appreciated by persons who have no knowledge "of or concern in the Government of India, but which "those responsible for that Government have long "regarded as of the most serious order." Lord Salisbury, as Secretary of State for India, put the same inherent evil in this manner: "The injury is exaggerated in the case of "India, where so much of the revenue is exported without "a direct equivalent." And he indicates the character of the present system of the administration and management of expenditure as being that "India must be bled." I need not say more upon this aspect of the inherent evil of the present system and machinery of expenditure. I give these opinions in these words as I agree with them, and as very significant as coming from high authority. Almost in words of prophecy Sir David Barbour and Lord Lansdowne uttered these words only four years ago on the present machinery of Government. Sir David Barbour said "The financial position of the Government of India "at the present moment is such as to give cause for "apprehension." "The prospects of the future are "disheartening." Lord Lansdowne, as Viceroy, said: "We should be driven to lay before the Council so "discouraging an account of our finances, and to add the "admission, that, for the present, it is beyond our power "to describe the means by which we can hope to extricate "ourselves from the difficulties and embarrassments which "surround us." "My honourable friend is, I am afraid, "but too well justified in regarding our position with "grave apprehension." "We have to consider not so "much the years which are past and gone as those which "are immediately ahead of us, and if we look forward to "these there can be no doubt that we have cause for "serious alarm." And now within four years, India is visited by the greatest and direst calamity as was feared. When will there be an end of these calamities? Sir George Wingate says, with which I agree, with regard to the present system of expenditure: "Taxes spent in the "country from which they are raised are totally different "in their effect from taxes raised in one country and spent "in another. In the former case the taxes collected from "the population . . . are again returned to the "industrious classes. . . . But the case is wholly "different when the taxes are not spent in the country "from which they are raised. . . . They constitute ". . . an absolute loss and extinction of the whole "amount withdrawn from the taxed country . . . "might as well be thrown into the sea. . . . Such is "the nature of the tribute we have so long exacted from "India. . . . From this explanation some faint "conception may be formed of the cruel crushing effect of "the tribute upon India." "The Indian tribute, whether "weighed in the scales of justice, or viewed in the light "of our own interest will be found to be at variance with "humanity, with common sense, and with the received "maxims of economic science." This is my criticism on the most vital aspects of the present machinery of the administration of expenditure. It is destructive to India, and will be disastrous to England, and cannot promote the general prosperity of the people. My statements have been in the hands of the Commission from 9 to 15 months (the sixth being about 6 or 7 weeks), and I cannot but trust that the Commission will have fully examined them, and know my views on the most important references to them; viz., the administrative machinery of expenditure and the apportionment of charges for common purposes. Now, coming direct to some of the incidence of the machinery, I say there is one thing very unfortunate in the Government of India, in both countries there is great disinclination to give information, especially if it is likely to tell against them. Even such information as Parliament prescribes and the Government of India itself tabulates. In the Act of 1858 (section LIII.), Parliament provided that, among other information for its guidance, the Indian authorities should lay before it every year "a statement pre-"pared from detailed reports from each Presidency and "district in India, in such form as shall best exhibit the "moral and material progress and condition of India in "each such presidency." Thereupon such reports were ordered by the Government of India to be prepared by the Government of each presidency. As a beginning the reports were naturally imperfect in details. In 1862 the Government of India observed: "There is a mass of "statistics in the Administration Reports of the various "local governments . . . . but they are not com-"piled on any uniform plan . . . . so as to show "the statistics of the Empire (Fin. Con., June 1862)." The Statistical Committee, which the Government of India had organised for the purpose, prepared certain forms of tables. And after receiving reports on those forms from the different governments made a report to the Government of India, with revised forms of tables (Office Memorandum, Financial Department, No. 1,043, dated 28th February 1866). The members of this committee were Mr. A. Grote, president, and Messrs. G. Campbell, D. Cowie, and G. Smith. Now, if all these tables of the different departments were fully and carefully given, in the annual administration reports, the non-official public and, for the matter of that, the officials themselves would be able to judge correctly the character of the efficiency or inefficiency of the departments. But the non-official public and Parliament have no means afforded them by the Government to understand and judge fairly the working of the whole machinery. The machinery of every department is a monstrosity, a huge heavy weight of lead of high salaries to a few Europeans at the top, and the under-machinery from which all work originates is very weak, underpaid, and offering every temptation to corruption and oppression, and consequently both insufficient and inefficient, or worse than inefficient, as in the case of the police. If India were allowed the benefit of its own production, instead of being bled unceasingly, it is capable of giving as full resources to Government as this country is. But this is not allowed. Compare the expenditure incurred in this country to enjoy efficiency of administration and protection, with the wretched provision in India, because India is not allowed to enjoy its own. And consequently the whole machinery of Government is unworthy of an English administration. All this great imperfection and discredit would become clear to the public if the administration reports gave all the information which Parliament has asked, subject to such improvements as may be suggested from time to time. This is the chief reason why the non-official public in India are unable to criticise this machinery. Criticism pre-supposes knowledge and information of the subject, and this cannot be got. If we criticise without precise information, from general belief, we are at once come down upon us as reckless, attacking Government without knowledge, ill-informed agitators, and what not, when really the head and front of the offence is the Government itself. I shall read the comparison I have made between the expenditure of this country and of India, to show that with India's poor expenditure on India's benefit (after the bleeding), makes inefficiency and insufficiency of Government as a matter of course. The Duke of Devonshire, Lord Salisbury, Sir William Hunter, and others are perfectly justified in their views about the inefficiency and insufficiency of Government of India. And then I have got this table of comparison between the expenditure incurred here for the sake of efficiency and the expenditure we can only provide it from very poor resources in India, which, of course, must naturally be insufficient and inefficient in Government. Am I to read all the figures or only just give the ultimate result?

16,536. (*Chairman.*) Perhaps you will take the course that you think best for the Commission?—Very well. The United Kingdom, 1896—I have taken this from the Statistical Abstract return, No. C. 8209 of 1896 — United Kingdom expenditure—I exclude interest, because it does not form a part of the administration or protection—civil list, and civil administration list, 21,251,357*l.*; army, 18,459,800*l.* Navy I exclude, because we have no navy, except a small marine expenditure, and therefore I do not think it just to put that in. Charges for the collection of revenue,

13,119,000*l.*; total expenditure for administration and protection, excluding the Navy and interest—52,830,157*l.*; or 53,000,000*l.* for a population of 39,465,730, say, 40,000,000. This gives 1*l.* 6*s.* 6*d.* per head, excluding the Navy and interest. On the side of British India: the statistical abstract of British India, return C. 8238 of 1896; the figures are for 1894–5—I exclude interest also. Post office, telegraph, and mint, Rx. 2,466,175; salaries and expenses of civil departments, Rx. 14,835,209; miscellaneous civil charges, Rx. 6,065,705; famine relief and insurance, Rx. 610,235; buildings and roads, Rx. 5,352,801; army services, Rx. 24,096,091; special defence works, Rx. 217,867; provincial expenditure defrayed from provincial balances, Rx. 560,860; direct demands on revenue, Rx. 9,722,041; deduct refunds, Rx. 280,555; the total amounts to Rx. 63,646,429, or, say, 640 million rupees, for nearly six times the population; for a population of 230 millions; and taking the population of 1891 as 221,172,952, and adding 4 per cent. for the subsequent four years, gives a total of 230,091,870— say, 230 millions population. The expenditure, therefore, per head comes to 2 rupees 12 annas per head as compared with 1*l.* 6*s.* 6*d.* in the United Kingdom.

16,537. And what deduction do you draw from that? What is the impression it leaves on your mind; and what is the impression you wish to convey to the Commission?—The impression left on my mind, and what I wish to impress on the Commission, is, that the resources of British India are so very poor that Government cannot get more with all the taxation than 2 rupees and 12 annas per head for administration and protective charges. Consequently, necessarily this Government should be very inefficient, while here the fact that for efficient and good Government the public are willing and are able to give 1*l.* 6*s.* 6*d.* per head shows that the Government of British India naturally throws a great deal of discredit upon the Government of India for the poor resources that they have at their command for giving efficient and sufficient government.

16,538. I ask that question with reference to this point; you are comparing the rich country and the poor country?—Yes.

16,539. You have dwelt very much upon the wealth of England, and very much upon the poverty of India; and yet, from your putting those two totals together, it looked as if you thought it an evil that the administration in India did not cost more?—What I want to conclude is that the administration of India is very imperfect and very inefficient on account of its resources being so poor, caused by the foreign domination system, and the unnatural system which is introduced, or which is worked in India.

16,540. But I want to follow you out. Would you advocate a larger expenditure on administration in India?—Yes; I advocate that India should be left to be benefited by its own resources; and India would be able to give a great deal more for governing purposes, and be more efficiently governed than what it is at present. The cause of its being in such an unfortunate plight is that the system of machinery adopted there is a very unnatural and a very unfortunate one.

16,541. Then what is your conclusion; that if India was independent, would the independent Government double, treble, quadruple, quintuple the taxation in order to bring the expenditure to something more like the expenditure in England?—If India is allowed to keep its own resources to itself I am quite confident that India would be quite able to supply all the necessary funds as they are supplied here.

16,542. That is to say, that, if India were independent she would have to raise something like Rx. 300,000,000?—Very well.

16,543. And you really think that if India was independent, she could do that without damaging her own resources?—If India is allowed to retain all its resources whilst being dependent upon British rule, because it is a great blessing—the British supremacy—for various reasons; but if India is allowed to retain its resources instead of being bled by this foreign domination, India would be quite able to pay, if necessary, Rx. 200,000,000.

16,544. That is to say, that you are using that expression "if India was independent" because that is the easiest way of putting it?—You may put it in that way to illustrate the case.

16,545. That the Indian Governments in that day without doing harm to India, could quintuple the present taxation?—I cannot go so far as to say that it would quadruple or sextuple it; but still, I have no doubt that it would supply all the necessary funds for efficient government.

16,546. I want to get at your standard. You are holding up to us a comparison between the expenditure in England of 1*l.* 6*s.* 6*d.*, and the expenditure in India of 2 rupees and 12 annas?—Yes.

16,547. And your evidence would lead us, I think, to think that India, under a happier state of things, would emulate, in order to get a thoroughly good administration, the expenditure per head which obtains in this country?—Yes.

16,548. I want to give you the opportunity of qualifying the statement if you think it necessary. It leads to this, that in some shape or other you are to get out of India, which you say is a poor country, say, five times the present revenue. It is a question of the difference between the 1*l.* 6*s.* 6*d.* and those 2 rupees 12 annas a head, which, I think, take it up very closely to Rx. 300,000,000. That is multiplying its present revenue by six or seven. Do you think that a poor country, if it were only under an independent government, could raise that amount of money without impairing its resources?—With this British supremacy, what is poor now would become rich if it is allowed to keep its own benefits. The only qualification I have to make, whether she will need even so much money as England requires for efficiency, is this: that labour there and efficient labour and native labour would be so much cheaper, a good deal cheaper, than what it is here, and the result would be that perhaps if we did not require Rx. 200,000,000 or Rx. 300,000,000, or as many times as the difference now exists; but certainly India would be quite capable of supplying as much as may be necessary for its own efficient and sufficient government; that I have not the least doubt whether it would be 150,000,000 or 200,000,000, or 150,000,000, I have not the least fear that India's resources would be found quite equal to the necessities of its wants.

16,549. You see the practical remedy which you have indicated to us as a means of arriving at this result is that, whereas Rx. 20,000,000 is now spent upon European soldiers and European civilians, that amount should be spent upon Indians, that is to say that Indians should receive this Rx. 20,000,000; but, supposing that was done, that would not supply anything like the difference which would be necessary to raise the two rupees up to a level of 1*l.* 6*s.* 6*d.* per head, and therefore you would have to find the difference by some other method?—If what is taken out of the country is saved to the country its economical effect would be to enrich the country.

16,550. But you cannot enrich it more than the sum?—No. This sum remaining in the country will economically provide far better effects than it does at present. It is not the saving of the Rx. 20,000,000 only, it would be the saving of all the reproduction, fructification of the money in the country itself.

16,551. But that Rx. 20,000,000*l.* laid out there could only produce a certain interest?—It is not all interest, it is developing the resources of the country which might quintuple and make the riches of the country far greater than what they are. It will make, in fact, the country rich if all that is drawn away from India is saved in it and becomes its own resources. It is the capital, the blood of the country.

16,552. May I interpret it in this way, that if that Rx. 20,000,000 was left in Indian pockets it would produce every year Rx. 300,000,000, and that gain, realised by laying out those Rx. 20,000,000 in India, would enable the Indian Government to raise the rate of taxation from 2 rupees 12 annas a head to something like 1*l.* 6*s.* 6*d.* It is a very large deduction. I am delighted to hear that India is so rich that laying out Rx. 20,000,000 would produce in a year between Rx. 200,000,000 and Rx. 300,000,000?—Of course it will not produce it in a year, but it will first have to fill up the gap of all that has been drawn away, and it will raise it gradually to that rich condition which it is capable of. Of course to say that these Rx. 20,000,000 saved this year will enable the Government of India to have Rx. 200,000,000 for the purposes of Government cannot be thought of. Of course I never meant that, but if those Rx. 20,000,000 or Rx. 30,000,000, or whatever it is that is drawn from India, is saved to it, it will gradually work its economical effect in enriching India every year by increased foreign trade, by increased production, and in that manner will make it strong enough and rich enough to give the Government of India such resources as may be necessary to their heart's content.

16,553. I am only anxious to bring out clearly, Mr. Naoroji, what you mean by it in order to give you an opportunity of making any modification of the statements which you have just given us in evidence?—Yes.

16,554. Because at present it certainly, I think as it stands, would sound rather drawing wide deductions from

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small premises. You point out to us that India is a very poor country, you go on to say that, if she was independent, you would quintuple her expenditure in order to bring her up to somewhere near the standard that you suggest it should be or to the English standard, and you produce that result by proposing that a comparatively small sum in salaries and pay, which now goes to Europeans, should go to Indians?—Yes. It is not the amount that is so much the difficulty. If the people get back what they give, as here, India can give in time all that may be necessary, Rx. 200,000,000 or Rx. 300,000,000.

16,555. And you think that that comparatively small sum kept in India would result, perhaps in a few years, in this enormous sum in order to raise the expenditure of India to something like the level of the English expenditure?—I thank you very much for pointing out the likely misunderstanding which would arise, and therefore I have given the modifying answers, so that it may not be misunderstood. Then I have given an illustration here. I have taken just one instance of public education in which I have also worked out those figures which come to for primary education alone; here 4*s.* 6*d.* per head of the population, while in British India it comes to about one anna and half a pie per head. I just point out my object in bringing this illustration was not to point out that the figures must be equal, but that there is a great disparity on account of certain causes which I lay stress upon.

16,556. (*Sir William Wedderburn.*) And I think that you do not lay stress upon the word "independent" which the chairman used?—No, I do not at all.

16,557. You mean that if a suitable system is adopted it will tend greatly to prosperity; it will allow of much heavier taxation and sufficient taxation?—Quite right; that is what I mean.

16,558. And that the present system is as though the people were to consume the seed corn which is needed for next harvest, it will produce destitution even though sowing that seed corn may not immediately produce prosperity. I think that is the drift of your evidence?—Yes.

16,559. (*Chairman.*) In using the phrase "independent Government," I was only wanting to get out your view, Mr. Naoroji, that if the English Government were removed, and, therefore, if the great evil which is pressing on India in your view were removed, India under a better system of administration would be able to work in the direction of the model which you have put before us; namely, the amount of expenditure in this country?—Of course. What I mean is that I for one, certainly do not wish to sever the connection with Britain. On the contrary it is my extreme desire that the connection with Britain may last a very long time for the benefit of both countries; it is for that reason alone that I am struggling; if it were otherwise, I think I had better remain quiet.

16,560. Then may we take that as giving your views upon the machinery of administration?—Upon the machinery of administration.

16,561. There is nothing you would like to add to that?—No. I do not think I have got anything to add here.

16,562. I mean that is a general statement of your views?—A general statement.

16,563. But I would bring it before you that it hardly touches the subjects that have been before us and upon which Indian officials have placed very full information before us; namely, the analysis of the different branches of public expenditure in India. Beyond your comment upon the small amount spent in education, do I understand that you do not wish to offer any criticisms upon the description they have given of Indian administration in all its branches?—No, I do not offer any criticism upon those details for the simple reason that I confine myself especially to the important point for which I asked the Commission and for which Sir Henry Fowler said that he wanted to prove that there was prosperity or not from the machinery of the Government as it existed. I therefore applied myself fully to prove that point that it did not promote prosperity. I therefore did not apply myself to the little details for two reasons, first that you cannot get information from the public records of any kind so as to go very minutely into precise figures, and for the present purpose for which this Commission, as far as I was concerned, was asked was the important purpose of the principles upon which the whole Government expenditure was conducted, and these principles being unnatural any discussion upon the details of the different departments will benefit nothing excepting perhaps proposing a reduction here and a reduction there which is soon forgotten and which is the fate of all the previous Commissions that have generally taken place, and as I know of the Financial Committee of 1871–4. I purposely, therefore, wanted to bring out as prominently as possible this fundamental evil difficulty, by the removal of which both England and India may benefit.

16,564. Then may we take it that you confine your recommendation for reform of Administration in India to the doing away with the European element—I do not want to put this in an antagonistic manner, but merely to get out your view?—No.

16,565. From your evidence I gather that your remedy is to do away with the European element in India and replace that element by an Indian Army and by an Indian Administration—no Europeans being employed in the Army, no Europeans being employed in the Administration—that I should gather to be your view?—No. I can explain what I mean; I do not mean that there should be no Europeans at all in the Army, nor in the Civil Administration. What I want to say is—even Lord Ripon put it as the irreducible minimum—that as far as possible every native added in the service will be a gain to the Administration of the country, and that if any portion of Europeans is considered as absolutely necessary it is on the ground of the maintenance of the British rule; otherwise there will be no necessity as far as the British Government or the British people are concerned. In that case, I say in fairness, if they went for the common purpose, and I admit that is a benefit to India also, that in fairness the expenditure incurred upon the European portion—the irreducible minimum—should be fairly divided between the two countries instead of putting the whole burden upon India. As to the employment of every Indian, of course, India ought to pay and should be very prepared to pay.

16,566. You put your suggestion before us as a means of raising the expenditure of India to something like a level of the expenditure of England. As far as possible the Europeans in the Army and the Europeans in the Administration should be replaced by Indians. The mere fact of paying an Indian, you look upon it, instead of a European would have such a fructifying effect that in the course of a certain number of years it would enable the Indian Government to raise taxation up to almost the level of the English taxation. But you go further, and you say wherever Europeans are employed that England should repay. Therefore the position would be this, that supposing, we will say, that only one-fourth of the present force were retained of Europeans that would cost something like Rx. 5,000,000. I am now taking the figures of Rx. 20,000,000, as the total that will be paid by England to India by your view, and that would be the sole immediate cash benefit?—Immediate benefit, yes.

16,567. Beyond that the Rx. 15,000,000 would be paid to Indians, and that left in the Indian pocket would produce this enormous interest or fructifying power, which would enable the Indian Government within a few years to raise the expenditure per head from 2 rupees 12 annas to something like 1*l.* 6*s.* 6*d.* per head?—Sticking to that comparison between the two as I have brought in this table as an illustration, I do not think it is fair to me. What I mean there is that India, if left to such resources as I am mentioning, will be able to supply all its wants, and at the cheaper rate of labour every demand required of themselves; but I say if it requires Rx. 200,000,000, or if it requires Rx. 150,000,000 to be more efficient and sufficient to give that, Indian resources are quite enough to meet all its wants, provided those resources remain in its hands.

16,568. That is the object with which I asked these questions?—Yes.

16,569. You placed this before us as a model?—Yes, as an illustration.

16,570. And your evidence after that, I think, pointed very much to this—you were giving the cost of the English Administration at home as a type, and you considered that something of the kind should be the object of administration in India. The increase of taxation which that involves in so poor a country, is, of course, very startling. I wanted to be quite sure that there was no modification in the case that you are putting before us that you would wish to make?—Yes.

16,571. Now, I understand that you modify it so far as this, that you do not put the 1*l.* 6*s.* 6*d.* as an absolute type?—No.

16,572. But, of course, you do leave it that a very large increase of expenditure is necessary in India for Indian purposes?—Yes.

16,573. And therefore that considerable means ought to be found for that purpose; but the one practical remedy which you suggest is, that a certain number of Europeans

who are now employed in India should be replaced by Indians?—Yes. The principle which I approve is that which was declared by the Duke of Devonshire, who said: "If the country is to be better governed, that can only be "done by the employment of the best and most intelligent "of the natives in the service," and, as pointed out by "Sir W. W. Hunter, if we are to govern the people of "India efficiently and cheaply, we must govern them by "means of themselves, and pay for the administration at "the market rates of native labour." An administration conducted on these principles will stop the material, political, and intellectual drain from India.

16,574. (*Sir William Wedderburn.*) And I think you are able to illustrate the general problem to which the Chairman has referred, the wonderful improvement in the case of Mysore, which was handed over to native rule in a condition of great financial difficulty, and which is now able to raise a large revenue, and to do a great deal for the public good, and yet is in a prosperous financial condition. It is not to the mere interest profit out of sums invested, but to a more economical and suitable method of administration that you look for the prosperity which will bear the additional expenditure. Is that not so?—Yes. In the case of the Mysore State this method was adopted by Lords Salisbury and Iddesleigh "as a guarantee for "the good government of the people, and for the "security of British rights and interests." This experiment, though disapproved by the Anglo-Indian authorities, was loyally and effectively carried out by them, and proved a brilliant success, resulting in a contented people, a full treasury, moral and material progress, and attachment to British supremacy. It is a brilliant episode in British Indian history. Similarly British India will be prosperous and contented if the same principles are followed, local administration being entrusted to competent native officials under European control, co-operating with representative assemblies.

16,575. (*Chairman.*) I understand that it is your desire that British rule in India should be continued and strengthened?—I gladly recognise the benefits of British rule, especially as regards law and order, education, and freedom of the press and public meeting; but I believe that British power and influence are much weakened by the refusal to administer expenditure in a way so as to give the people justice and a voice in their own affairs, by the consequent "extreme poverty" of the masses, and by the non-fulfilment of the solemn pledges given by Parliament and the Crown, of equal opportunity in the public service to all subjects of Her Majesty; and I sincerely desire to see British rule strengthened on the lines most beneficial to the people both of India and of Britain.

16,576. Then, before we pass on to apportionment, I would call your attention to one point, Mr. Naoroji. We have a proverb here, "take care of the pence and the pounds will take care of themselves." That argument does not apply in India, does it? Your evidence does not deal with the reform of the administration in its details?—Taking care of the pence and an examination like this which you have so very carefully and with much trouble carried out has its use. What I want to point out was that that alone by itself will not remove that general condition of the poverty of India, and all the bad effects of the present system of administration, unless we go into the question of the principle upon which the whole administration of expenditure is based.

16,577. Quite so?—And I wanted to impress upon the Commission particularly that they must fully treat India on righteous principles, and if that is once settled a great deal of the difficulty would be removed; the whole Indian problem will be solved; and there would be time enough then to go into the details which will be a matter of necessity, as here, every year, there is an examination of the details of Government in the discussion on the Budget.

16,578. Quite so. You have put before us your general view of the manner in which the reform of the administration should be effected and its results. The Commission, I think, might regard the remedies you propose as outside their powers—but within our powers we have had a very exhaustive examination of the details of administration, and I was anxious to know whether in the course of that examination you had any views to express upon the different branches of the public service as they have been brought before us. It is only by going into those details that economy can be effected; I rather gather from you that you are not prepared to offer us any suggestions or criticisms upon this evidence which has been placed before us?—No; I do not enter into the criticism of the details, as I have already explained that, with the best results that may be obtained, there is very much of this criticism that would not touch the chief evil and the real evil of the whole matter; and so far as the Government of India is concerned, taking the things as they are, they are doing what they can to a very great extent, and I do not find much fault with them as far as the machinery is adopted by them subject to all human imperfections as they have. An examination like this of details at regular intervals something like what it was every 20 years in the case of the East India Company might be very important to check any unnecessary expense, or any extravagance in expenditure, and that also has been discussed during the last financial committee. On the present occasion my chief contention, and I wanted particularly to keep aloof from the details for the very reason that I may direct the Commission as pointedly as possible to going to the root of the whole evil, so that there may be some permanent benefit, and therefore I am not prepared to go into the criticism of the details. I did that deliberately and I may say generally, as I said just now that the Government of India avoiding the question of the evil of this principle of administration they are doing as well as they can, with all human imperfections and requiring criticism from time to time. They are doing their work with a sufficient desire to administer in the best way possible. I am quite willing to give them that credit, that the officials are doing what they can, even under very disadvantageous and evil circumstances.

16,579–81. And does not that somewhat justify my quoting the proverb about the pence? Is it not worth taking care of the pennies?—Only that these points will all again come back when the Government of India falls into its own regime, and there will be no good done. And that was my own personal course that I have taken. I do not know; my other friends may be able to go into some criticism of details here.

16,582. You have been critical upon the Indian administration, and you have stated that the information, I think, was not forthcoming which would enable you more effectually to criticise Indian administration?—Yes, that is true; that is the great want.

16,583. But has not this Commission given you a very fair opportunity for obtaining that information. We have had the responsible Indian officials before us?—Yes.

16,584. And was not that a far better opportunity to cross-examine them and elicit from them this information which is wanting, rather than after the time to say that examination is difficult because the information is not forthcoming?—Yes; but the information that has come before the Commission is of that kind, especially from the official point of view, is a one-sided information to a large extent necessarily to justify their own way of procedure. We have not that information which would enable us to know behind the scenes what is wanting in it. Only we should have in order to criticise, and that is a great disadvantage for every non-official witness that he cannot criticise, because he has not a full knowledge and a complete knowledge, and he does not know what to ask. It is for the Government of India to give this information as is asked by the committee of the Government of India and by Parliament, and we would then be able to criticise more effectually and more precisely what decrease, or what extravagance, or what waste has taken place in any particular department, or in any particular way.

16,585. I think, Mr. Naoroji, a man who has given so much attention to these subjects as you have evidently done from the papers which you have laid before us, is in a position, when he is put face to face with the official witnesses, to elicit from them those weak points upon which they have not given us, in his opinion, full information?—We have not got such information as would enable us to know what the weak points are. The official witnesses really do not point out what their weak points are, and we are not able to point out those weak points for the simple reason that we have no information, or very imperfect information which would not help.

16,586. If you have no information, is it quite fair to make a general attack on Indian administration?—The general attack is perfectly justified from the results. The results show that the very nature of the administration with the poor resources at the command of the Government, that the Government must be inefficient and insufficient, and the general attack I made is not so much upon the Government as officials, but upon the system upon which they are working, that system being an evil system. They cannot help but do what of course would produce unsatisfactory results. I have not the least wish to attack the Government of India, or the officials, because I do not believe they themselves

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would do any evil. It is the cause of the evil system upon which they are working, and which requires to be considered and modified so that they themselves may be able to do their work with greater satisfaction to themselves as well as with greater satisfaction to the people. That is the principle which I wanted specially and principally to bring forward.

16,587. Of course, the point to which I am directing your attention is this. We have had a large amount of evidence before us of an official character; and we have done our best on the Commission, not only to get the best official evidence, but also the evidence of high officers who have held posts in India, and who are above the ordinary official witnesses. In addition we have been anxious to learn native opinion upon the subject; and here a very large field of examination has been opened, upon which, I think, every opportunity has been given in bringing over witnesses from India to undergo examination; every fair demand for information has been fairly met, and at the end of it I am anxious to learn from you whether, from a native point of view and as representing native opinion, you have any criticism to offer upon the subject more immediately interesting to us, namely, administrative management of expenditure in its details?—If this question of the greatest importance upon which I insist is put aside, and if simply the machinery as it is taken, supposing it to be, as it were, machinery in which that evil did not exist, I have not much criticism to offer myself. I do not think it so much necessary that I need go into very great detail in order to point out any defects in any particular department.

16,588. (*Sir William Wedderburn.*) With regard to what you say of not being able to get the information of certain definite facts, can you give the Commission a note of the points on which you had asked for information, and you have not got it, and points on which you desire information from the India Office or the Indian Government, can you give a statement to that effect?—I can give it at once just now; to say that if all the tables which are proposed by the Government of India were fully filled up for any particular year, we shall be able to offer a good deal of criticism.

16,589. Yes; but will you just give a form that you wish filled up, and then I have no doubt the Chairman will consider whether they can be obtained?—Yes, I can do that, if the India Office would be good enough to give us the report of that committee which settled the tables, and from those tables—those tables are the very tables that they have not placed before the Commission.

16,590. What tables are those?—The tables that were fixed by this Committee of Sir George Campbell and others, and what the different administrative officials give in their administrative reports, and if those tables were supplied with the information I think, it would be good for the Government itself as well as for the public to understand each other, and a good deal of misunderstanding and misapprehension will then be removed, and then the statement I can lay partly as I pointed out in one instance already in my report with regard to the agricultural tables a factor of depreciation. I have got those tables at page 4 of my statement of the 9th January 1896, and as they were prescribed by this Committee, and if this information is fully given, we should be able very well to ascertain what the capacity, and what the condition of the people is. This is only one set of tables, and there are tables with regard to the Judicial Department, and with regard to the Police Department, with all the departments, and if those tables were correctly and fully given of course, we have all the information. It is not that the information does not exist; this Commission would have been very much helped and we would have been very much helped, to help the Commission in the most effective manner possible.

(*Chairman.*) Do you wish to ask Mr. Naoroji to put in such a paper?

16,591. (*Sir William Wedderburn.*) I should like a note of that to be put in, and to state distinctly what is the information that you consider necessary?—Very good. I shall require, Sir James Peile, if I can be given a copy of the Report of this Committee, with all the tables connected with it. I was obliged to go—even those few tables that I have made—I was kindly allowed to go to the India Office by Sir Charles Bernard, and to copy out some of those which I immediately required.

16,592. (*Sir James Peile.*) Has a copy been refused to you?—Yes, a copy has been refused, for this reason, that they have got it all bound up in one volume, and no spare copy.

16,593. But you can come and consult it here?—So I went and copied what was required for this purpose. If a copy could be made by a clerk, or by the India Office, it would save me a great deal of trouble; if not, I will come and copy it all myself, in order to place it here.

16,594. (*Sir Ralph Knox.*) You drew attention to the difference between the salaries payable to Europeans and to natives, and seem to think that India would gain very much if the salaries were reduced to the native scale. Can you give any instance of the high salaries which you think would be saved if a system of native employees was introduced?—All the high positions are of such salaries that the Government of India does say that if any Indian is employed in any of those places two-thirds the salary would be quite enough for him, as a very liberal salary. The Government of India, and the Secretary of State, has himself laid down this condition, that wherever an Indian is employed in place of a European, that two-thirds of the salary ought to be enough for him. That in itself at once saves one-third. But then I go further than that, even those two-thirds in its economical effect will be still of far greater benefit, as well as the one-third saved.

16,595. And is it the rule at present when a native is appointed to any one of those high positions that he receives two-thirds of the salary?—Yes, I think that is the rule now.

16,596. (*Sir James Peile.*) May I correct you?—Is it not?

16,596*a*. No; that rule is now abolished. Under the Provincial Service there are special rates of salary lower than the European rates fixed for the natives, except in the highest appointments, such as the High Court, where a native judge gets the same salary as a European judge?—Yes. What I say is that even in the highest positions a lower salary will be accepted by quite equally efficient men, even on the scale which the Government of India itself has laid down; but at present, of course, it produces to a certain extent dissatisfaction, for one official is paid at a very high salary for services of the same character done by a native. If the European officials were also brought down to the same salary as the Indian, there would be some fairness; that the salary is paid not according to the individual, but according to the services done; and if it is paid according to the services done, there will be a great deal of saving, not only two-thirds, but, I think less—at least this is my opinion—that these high salaries can be reduced with satisfaction both to the Government, as a relief to them, and to the Indians, that they have employment in their own country.

16,597. (*Sir Ralph Knox.*) Does that apply to any very large number of appointments?—There are very few appointments yet given in that way.

16,598. But is there a very large number of these high appointments?—Yes.

16,599. To which high salaries are attached?—Yes.

16,600. Which could be reduced, do you think, if a native Indian was employed?—Here we have got a Return which gives us the figures. I got them out. From what salary do you think I should begin in. Here is a return from Rs. 1,000 per annum up to—well, take the salary of the Viceroy, 25,000*l*. Then, as you go through, we go to the highest, the number, of course, is smaller, but the amount is very large. If you look at this, this will give you the exact figures, and we can work them out if you like.

16,601. But you think that below the very highest appointments there are salaries which are too high for the scale of work, either for the European or for the native?—Yes, there are to a very great extent—all those salaries. The very fact that the Government has determined, in regard to the covenanted Civil Service especially, that any appointment now, except those that pass here with the other competitors, that they are kept, I think, on the same level, but when the Statutory Service was passed, that is to say, the service under the Act of 1870, the Government passed a rule that any appointments given to them should have two-thirds of the salaries paid to Europeans, and that regulates appointments under the statutory service; though the Act exists, its action is repealed by the Secretary of State himself, though Parliament required that a certain number of Indians should be every year appointed in India itself, and that Act of 1870 is now a dead letter.

16,602. (*Sir James Peile.*) Did you say a dead letter?—It is a dead letter is the Act of 1870. The Provincial Service is now introduced, which really does not supply what this Act of 1870 meant.

16,603. Why?—Why, because it does not come to the same level. In the Act of 1870, it was intended that the Indians appointed in India itself, without being required to come to this country, were to be put exactly on the same footing as those who went from this country, in fact, they were to form an integral part of the Civil Service. Well, this went on for 10 years, and then the Secretary of State decided that no further appointments should be made in that way. In 1878, the Government of India urged very strongly not to act upon that Act, and to introduce what I may call the Provincial Service. The Secretary of State refused to do that; the Secretary of State wished that the Act should be carried out in its integrity, and then only after the Secretary of State's resistance the rules were made. For six years no notice whatever was taken of this Act, either here or in India.

16,604. For what six years?—From 1870 to 1876. The Secretary of State, from here, several times reminded the Government of India to make rules, but they did not do it until they were pressed afterwards, and in 1878 they wrote a long despatch, trying to persuade the Secretary of State for India not to compel them to make these rules, and not to carry out the Act of 1870

16,605. The Statute was passed in 1870, was it not?—The Statute was passed in 1870.

16,606. Are you aware that rules were prepared and sent here for approval in 1873?—Yes, that I became aware of when the Blue Book was published, but the rules that were sent were not received, as far as I can understand, were not adopted by the Secretary of State, and it was in 1876 or 1877.

16,607. Do you know why they were not adopted?—That I cannot say, because the information is not given in the Blue Book.

16,608. Well, I will give you the information. You could have had it at any time in the Report of the Public Service Commission?—Yes.

16,609. The difficulty was that the law officers of the Crown raised an objection to the rules proposed by the Government of India. Do you know when the next set of rules were proposed; you said nothing was done for six or eight years?—The next set of rules was proposed by Lord Cranbrook, who pressed those rules again.

16,610. What year?—That was again in 1877 or 1876.

16,611. No, in 1875, on the contrary?—I know; I have not even the despatch, I think.

16,612. Revised rules were drawn up by Lord Northbrook's Government in 1875?—Very well. I am very glad to have all that information.

16,613. Rules were proposed in 1873 and 1875; and then what next?—They were only settled in what year?

16,614. The rules were sanctioned in that year?—When was the Act brought into regular operation?

16,615. It was brought into regular operation in 1875?—Were there any elections or nominations made in 1875?

16,616. One or two, I believe?—No.

16,617. Yes?—I do not think—at least that is my knowledge—that no nominations were made.

16,618. Well, we differ?—I know I had none from the India Office. Every Member of the Council, when I complained to him that no notice was taken of the Act of 1870—that the rules were made and finally settled—I do not know whether it was in 1877 or 1878, and the very first nominations were made much later; that is my information; that is just our difficulty.

16,619. The rules were not finally settled, but a new set of rules was prepared in 1878, to give more thorough effect to the statute?—Very well, if the rules were made in 1878 to give thorough effect to the statute——

16,620. More thorough?—Very well, more thorough; I am very glad. Then it is very strange that those rules were abolished, and the nomination entirely put an end to altogether; why were they not carried out while the statute was still standing.

16,621. When were they abolished?—The nomination continued, as far as I can remember, about 10 years.

16,622. And why were they abolished?—That I do not know. The Government of India was determined, even in their despatch, that long despatch, I do not know whether it was in 1877 or 1878; they recommended very strongly that those rules should not be made, and that a provincial service should be adopted.

16,623. That does not really concern the question?—Yes; it concerns this question.

16,624. I asked you why were they abolished?—Why they were abolished is the thing.

16,625. Was it not that after the experience of a good many years it was found that the system introduced in 1879 did not work satisfactorily?—Yes; very well there is nothing strange in that; it was actually foretold by people that it would not work, because the rules were not satisfactory.

16,626. Then in 1886 a Commission was appointed to consider the whole subject?—Yes.

16,627. On which native members sat?—Yes.

16,628. And they reported. And the consequence of their report was that a new system was adopted, which is now in force?—Yes. I know that the Commission was appointed, and that the Commission came to that conclusion. The fact of the matter is, and, of course, I do not want to attribute any motives, but the effort of the Government of India was to have the rules that they themselves had suggested to the Secretary of State in that long despatch, to be somehow or other got into operation, and this Act of 1870 should not be carried out in its full extent. The result of that was that first the rules were made very unsatisfactorily. Instead of making rules by which the nominations in India should be of the same standing, the same competence, and under the same tests of examinations; instead of that the rules made were to leave the Governments—the different Governments—to make their choice; and, in my opinion, without any satisfactory test of competence. Well, the result was that the rules were made which were very unsatisfactory, which were not as they ought to have been, and the result was naturally that discredit should be brought upon them. The rules themselves showed in their very face; whether there was the intention or not; but that that should be the result, where the nominations were made merely according to the ideas of the Government of the day, instead of having any public good test, just as it was, adopted here for the competitive examination.

16,629. The Government of India themselves tried in various ways to give effect to the statute?—Yes.

16,630. And they have now introduced a new system which is on its trial, and which appears to have a satisfactory working?—Yes. Well, this new system they were determined to have.

16,631. That is all I wished to ask you?—That is quite right. I wish to say this, that this new system which is now introduced was the Government of India's desire many years before, publicly expressed in their public despatch, and they did try at least to carry that system of their own into effect and nullify the Act, as it was originally, no doubt. That is what I have to say.

16,632. (*Sir William Wedderburn.*) Was not the object of the Act of 1870, to give promotion to higher offices to men of experience and qualifications already in the service who had shown their competency. Was not that the object of the Act?—That was a part of the object.

16,633. That was one of the objects of the Act?—Yes; that was one of them.

16,634. And the objection to the rules was that they allowed the Government of India to appoint young men of good family or otherwise without any qualifications at all?—Without any qualifications at all.

16,635. And that was the objection to the rules, and it was owing to that that public opinion in India considered that the statutory service was not successful?—No.

16,636. But it would have been successful if it had been carried out thoroughly in the spirit of the Act of 1870?—That is what I say.

16,637. (*Sir Ralph Knox.*) But, however, you are willing to accept the proposal or the idea that if the natives were employed in any of those places the salaries could be very largely reduced?—Yes; certainly salaries could be reduced by one-third as it is already settled; and I think that if a fair trial is given many thoroughly efficient persons would be able to accept these higher offices at less than two-thirds, because the original standard is very high.

16,638. (*Sir James Peile.*) Mr. Dadabhai Naoroji, I suppose you stand by all that you have said in the pamphlets which you have printed for the instruction of the Commission?—Yes.

16,639. I understand that your views may be summarised in this way, first, that India is so crushed with taxation and impoverished by the withdrawal of her wealth abroad, that the Indian people are ground to the dust and reduced to starvation?—These are the words of authorities.

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16,640. Secondly, that the European services, and the present forced inordinate and arbitrary employment of Europeans are India's greatest evil, and the cause of all its economic miseries and destruction?—Yes.

16,641. And, thirdly, that the Government of India is an unrighteous system of selfishness and despotism?—Yes; I have said that.

16,642. Carried on by the Anglo-Indian authorities in defiance of the desires and biddings of the British people and Parliament?—Yes. Well, the desire of the British people in Parliament is distinctly pointed out by the Act of 1833, by the Proclamation of the Queen which is again repeated at the last Jubilee. There you have the whole policy of the British people in Parliament set forth, and if that had been carried out, and even if it were now carried out, the whole difficulty would disappear, and the British Government would indeed be a great blessing to India, and India will not be a less blessing to England. That is what I say.

16,643. With regard to the taxation; you are at considerable pains to prove that the taxation of India is exceptionally low, as compared with that of European nations, and of the Indian Native States?—I want to show there is a little misunderstanding; it is exceptionally low in amount, and far heavier in incidence and pressure than even British taxation, because of the incidence of taxation, as I have explained over and over again.

16,644. That would depend, of course, on the comparative poverty of the people?—Upon the comparative capacity and poverty of the people.

16,645. Yes?—That when you take the whole production over India and you take the whole production of this country, and compare the taxation in this country with the whole wealth, and compare the taxation of India with their capacity you will find that the percentage of the incidence of that taxation in India is higher than the percentage of taxation as compared with the wealth of this country, with such information as we have got.

16,646. Well, it amounts to this, that the people being poor, the Government has kept the taxation of India extraordinarily low; but when you come to the incidence of taxation on wealth, and you allege increasing poverty, and crushing taxation, I want to know what proof you have of the capacity and wealth of the Indian people?—I first worked out the poverty of India, the total production of India mostly on official authority; this calculation has been before the public and I should have been very glad if any mistake had been pointed out. When Lord Cromer—Sir Evelyn Baring—gave his opinion as that the production of the country was 27 rupees per head per annum—while I have made it 20 rupees per head per annum which, however, will not make a very great difference,—however, I asked Sir Evelyn Baring, the present Lord Cromer, to give me that calculation so that I might see whether I had made a mistake, or who has made the mistake. Unfortunately that calculation was not given to me, and therefore I adhere to my resolution that the total production of India—British India—is on the average only 20 rupees per head per annum.

16,647. That is the total income of the people?—No; there is a little confusion, only the total production, actually the quantity of material wealth produced in the year by cultivation by manufacturers from the mines and so on, all these accumulated as the total wealth of the country produced during the year and calculated at the prices which are always published regularly. We will make out—and the whole process of calculation is given in my books—we make out that the average cost of about 20 rupees per head per annum.

16,648. Then, with a family of seven or eight, the production, not the income, would be Rs. 140, 160, and so on?—Yes, and it is not enough to keep them.

16,649. That is at best an assumption?—And it is by comparing the consumption I have given, not only the production; the production may be very small in amount, and yet if the requirements of consumption may also be comparatively small in amount there would be nothing to complain of; but they are not able to produce as much as would even satisfy their ordinary want of common labour. These figures also I have given there, and I have not up to this time had pointed out to me that they are wrong. I have had correspondence direct with the India Office—I laid down all this—and I have not had any reply to refute those figures from the India Office.

16,650. Do you think that calculations of that kind in a country like India are of any value whatever?—Even Lord Cromer himself has said that, for all practical purposes they are sufficiently approximate, we cannot expect them to the farthing; but at the same time in India we have this advantage, that Government has almost all the information it can require to calculate such a result as that. What the result really is of the annual wealth produced in the country which is not very easy here in this country, but there they being the principal proprietors, as you may say, why they have all the details of land cultivation in every way. Then the administration reports also give, what manufactures are done, what mines exist, and so on we have very substantial material to go upon in order to calculate from year to year what the real production is, or the amount of wealth that is produced every year, and from which the State expenditure and taxation has to be paid, and were that taxation to return to the people as it returns here, notwithstanding such a large debt the interest comes back to the taxpayers, the whole tax that is raised comes back to the taxpayers, there is nothing to complain of, that is the difference.

16,651. Now as regards crushing taxation, I see here you take the taxation of 1886 of India and from that you deduce that the taxation comes to about 5*s.* 8*d.* a head. Well, in looking into the details of that year—— ?—Will you kindly tell me what page it is, and which report it is of mine?

16,652. It is page 27?—What date: is it No. III.?

16,653. I am not going into the pamphlet; the 9th of January is the date, but I am merely referring to it?—9th of January. Yes, and what is the page?

16,654. The 27th page?—27, thank you. Yes, this pamphlet was written, it is a copy of the pamphlet that was written, in reply to Sir Grant Duff in those years.

16,655. On looking to the items that make up the taxation which you give there as about Rx. 57,000,000, the first item I remark on is Land Revenue, about Rx. 23,500,000?—What are my figures to which you refer?

16,656. I am not referring to any of your figures; I am referring to the details, the items, which make up your Rx. 57,000,000?—Rx. 57,116,000; I have got it only from public records, I have not created it myself.

16,657. No, I am not disputing it?—No.

16,658. The first item which makes up your total is the Land Revenue?—Yes.

16,659. Rx. 23,500,000?—Yes.

16,660. You consider that to be taxation?—It is taken from the wealth of the country whether you call it taxation or rent, or anything; it does not matter at all as far as the economic condition is concerned. I think Lord Salisbury himself has discussed that point in one of his minutes, if I remember right, in which he says that you may call it taxation or you may call it rent, but he is more inclined to call it taxation, as so much taken off from the country for revenue purposes.

16,661. I do not wish to enter into any controversy as to the nature of the Land Revenue?—No; very well.

16,662. But I will just ask you one question, when a man is taxed is he taxed on his own property or income, or on the property of some other person?—On his own property.

16,663. On his own property?—Yes.

16,664. Now is it not the fact that throughout all history a portion of the produce of the land in India has belonged to the ruler or Crown?—Yes.

16,665. In that case it does not belong to the producer?—You take the principles of the despotic Government. I grant that as a fact. Go on; yes, I will answer that question if you like.

16,666. I am quite satisfied with your answer. Does not the British Land Revenue as it is now constituted represent the share which the former native Governments used to own of the produce of the land?—Yes; in its economic effect you may call it the property of the Government or the property of the people, it is not of the slightest consequence, because in those days though Government took this half it used it on the government of the country, and every farthing of that half remained in the country. It is there that the difficulty lies; I do not care at all whether it is.

16,667. We are not on that point, at all events at present?—That is the real purpose which we have to discuss.

16,668. The next item is opium?—Well.

16,669. In that year it came to about Rx. 9,000,000. Now that is paid by China?—That is paid by China; very well.

16,670. It is not a tax on India?—No; it is so much, that is to say, that it is actually, properly speaking, the property of the Indian people, which Government——

16,671. Certainly?—Because it is their produce which brings this profit. Whether it is morally good or not is not the question; but it is the produce of the country which otherwise would have gone to the people. It is the profit of the people of India; the Government find it very convenient to have this for their government purposes.

16,672. It is a tax on that produce which is paid by China?—Yes, that is true; that is the case with all trade, every trade. When you send goods to another country you get a certain profit out of it, and that becomes the profit of the country.

16,673. Well, let us proceed. I think the home charges that year were about 14,000,000*l.*; that at 1*s.* 6*d.* to the rupee is about Rx. 18,000,000, so that you see China paid half of those home charges?—Yes, that is so; India's profit; that is so much gain in that direction.

16,674. And the public share, the national share of the land produce would more than cover the whole of the home charges?—Yes; but then why should India be deprived of that benefit? That is no justification that somebody else should take it away if it is the produce of India—India must enjoy it.

16,675. We are not on that point now. If you would kindly just answer the question?—Yes; I am answering the question.

16,676. Now, from that Indian taxation fund which you have admitted to be exceptionally low, far lower than that of any other country?—In amount, not in incidence.

16,677. Whether it is 6*s.* a head, as you say, or 2*s.* 6*d.* a head as Sir Henry Fowler makes it?—Sir Henry Fowler makes it so; that is the authority.

16,678. If you take away land revenue and opium, the remaining taxation comes to a very small amount?—I do not think land revenue ought to be taken into account.

16,679. Is it not the fact that from that very low taxation fund the Government pays all the charges which devolve upon government, namely, all the charges for the Army, both in India and in England, the contribution to the Navy, the whole cost of civil administration both in India and in England; the interest on railway capital?—Yes.

16,680. And the deficiency on the revenue account of railways, the interest of debt, all charges for pensions and leave allowances; and also the cost of all stores, and all railway materials?—Yes.

16,681. In fact every charge?—Yes.

16,682. Is paid out of the very low rate of taxation which is levied by the Government?—Yes.

16,683. And your grievance appears to be that out of that low rate of taxation about one-fourth in this year 1886 was applied to the payment of home charges?—Yes; well.

16,684. These home charges are what you call tribute?—Yes.

16,685. Now, is it the case that one single rupee from the Indian revenues goes into the British treasury as tribute; that is to say, is applied otherwise than as a payment for something which is given in return?—What is given in return. First of all my grievance has been again misunderstood. The grievance lies in this, that what is taken from the people as so much taxation in any shape whatsoever does not return to the people, but a portion of it goes away out of the country and impoverishes the country—that is the grievance. It is not of the slightest consequence, that the very fact that from a very small taxation the Government of India is obliged to carry on all these departments shows that these departments therefore naturally become very insufficient and inefficient; and the Secretaries of State, two Secretaries of State were perfectly justified in saying that this was an awful condition of things. That is the grievance.

16,686. What you have said is that this tribute, as you call it, is a portion of the produce exported out of British India, for which nothing whatever has returned to her in any shape?—Yes.

16,687. Now, I ask you whether there is any part of it that is not spent upon services or materials supplied to India?—Very good; it is only for necessary services. The services itself are our grievance, we are not only deprived of our money, but we are deprived also of our employment. We do not want those services.

16,688. Excuse me, that is not our point?—That is the main point. *Mr. Dadabhai Naoroji.*

16,689. The point is whether, rightly or wrongly, the money has not been paid for services or materials supplied to India?—The services are a portion of the tribute which we are compelled to pay. The services, and the money which is given for the services, both are our great grievances, that we are doubly injured both in the point of money and in the employment which belongs to us by right in our country should be taken away from us; and with it, therefore, the wisdom which is derived from that service, so that it is a grievance. 25 Mar. 1897.

16,690. So that the irreducible minimum of Europeans is not to be paid for, is it?—First of all, there ought not to be so great a minimum as now exists. I explained that very clearly that the irreducible minimum, if considered by the British as absolutely necessary, it is for the sake of maintaining their rule in India and their position in the East, as well as their position in Europe. Well, therefore, all I say is, that we grant, though if I were to take it in its logical sequence I do not grant that it is absolutely necessary to have this irreducible minimum, with the exception of the few highest offices, in order to keep the control over India; but I grant for the sake of present purposes, and for practical purposes, that a certain number of Europeans may be considered absolutely necessary. Then I say——

16,691. We will come to that presently?—If you will kindly allow me to finish. Then I say, if it is true that Europeans for certain purposes are required simply on account of the British rule, then the British people ought to pay a fair share for that interest which they themselves have.

16,692. Now, next you contrast the British system of government with the system in the native states?—Yes.

16,693. Very much to the disadvantage of the British system?—Yes, the system of course. There is nothing to be said but against the bad system.

16,694. You say the native states which adopt good management go on increasing in prosperity, in strong contrast with the system of the British management of expenditure?—Yes.

16,695. And you give instances of the taxation in certain states which come to about 12 rupees, 18 rupees, and so on, per head, so that the taxation of the native states is at least two or three times what it is in British India, or even more?—It is more.

16,696. Twice or three times that of the native of British India?—And yet he is better off.

16,697. That is what you say?—And yet he is better off.

16,698. That has to be proved, I think, has it not?—The proof lies on the very surface. First of all——

16,699. We shall come to that?—I have given testimony; one testimony, I think, in regard to this in Bhownuggar.

16,700. I have seen what you refer to, and I do not think it proves it in the slightest degree?—I have your own words that Bhownuggar had a full treasury, and so on.

16,701. I said it had a full treasury. Still, if you take three times the taxation from the people you can easily have a full treasury?—Yes, but the whole people are much better off.

16,702. I did not say that, you assume it?—What was the use of praising that state if this was not the meaning of it. You praised it because it was a good government.

16,703. Under a long British management it had a full treasury?—True, but British management was Indian management.

16,704. Shall we go on?—Yes; I have to explain a little.

16,705. I have not asked you any question?—No; but it is in answer to that question we had just now.

16,706. What?—In regard to the comparison with native states exacting greater taxation, and yet you say: How is it that they are prosperous?

16,707. I did not ask you that?—Oh, very well then.

16,708. You say the capacity for taxation in the Native States is not the result of any oppressive taxation, but the natural developments under improved government of the increasing prosperity of the people. Well, the first point is that the taxation is at least two or three times as high as that of British India?—Yes, and taxation here is, I suppose, 20 times higher than in British India.

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16,709. Now how is this taxation in Native States spent; have you ever heard of its being wasted upon unworthy favourites and in debauchery?—That may be, if the political agents do not do their duty; but that is no argument against the development of the prosperity of the people under this taxation.

16,710. Have you ever heard of the native state revenues being hoarded?—Hoarded, yes; and they can afford to hoard.

16,711. You give the case of Scindia, for instance, who lent 3½ millions sterling to the British government?—Yes, that is the British Government.

16,712. Where was that money produced from; was it not hoarded in vaults?—It was hoarded in vaults.

16,713. For many years?—Yes; and it was the fault of the native state that it did so; but we are discussing the ordinary good management.

16,714. When the money was hoarded in vaults in that way, was it doing any good to the subjects of Scindia?—No, it was not doing any good; that was the fault of the native state, and notwithstanding that the people were in better condition.

16,715. Now let me ask another question. Does any of the Native State revenue go outside the Native State, is it spent outside the State; for instance, there is a considerable item of tribute that goes out?—Yes, that is the only thing, and it is a very small item, it does not affect them very much; the whole thing is so very small.

16,716. The Mysore State pay 25 lacs a year?—25 lacs, and yet they flourish.

16,717. You keep on assuming that as a fact?—Yes, we have that point.

16,718. Mysore pays 25 lacs?—Yes.

16,719. That is as a subsidy for military aid?—Yes.

16,720. For military protection. Therefore you see that the Mysore subject contributes a considerable sum towards the cost of the English Army?—Yes, that might very well be considered, what might be a reasonable contribution to a portion of the Army.

16,721. That is not the point. He is, therefore, very much in the same position as the British Indian subject as regards contributing to the Army?—Yes, but not exactly the same position.

16,722. Now do you not find in native states European servants?—Yes; that is of their own choice.

16,723. We will take the Bhownuggar State?—Yes.

16,724. I daresay you are aware that for the last 20 years the head of the Public Works there has been a European with a family at home?—Yes.

16,725. And that some of his sons are also employed?—Yes.

16,726. Again, take the Native State Railways?—Yes.

16,727. The managers of the Native State Railways are Europeans living in native states?—Yes.

16,728. And the railway materials and the rolling stock have all been bought in England?—I never made a complaint of that.

16,729. The native chiefs are in the habit of coming to Europe?—Yes.

16,730. And spending large sums of money in England?—Yes.

16,731. In all those ways a portion of the taxation of the native states goes out and is spent abroad?—Yes.

16,732. So that their position in that respect also is like that of British India?—That is so very small compared with the system in British India, there is no comparison between the two.

16,733. There is no comparison between a native state like Bhownuggar and the British Empire?—Yes.

16,734. In size; therefore neither should there be in the amount of revenue spent abroad?—Then I am again misunderstood. What I say is this, that in the native states you have the whole of the service from top to bottom, the natives themselves.

16,735. I have just shown you that you do not?—The whole of them are natives with the exception of such Europeans as a sort of investment they employ for benefit; and so for instance for the mills in Bombay. Actually I myself have sent from here managers.

16,736. We are discussing the Native States I think, if you do not mind?—It is the similarity of the incident that induced me to mention it; I will keep to the Native States. Therefore every farthing that is raised by the state is returned to the people, it remains in the country, it fructifies among the people naturally. I have been, of course, in Baroda, and I know a native state.

16,737. But if Europeans are employed there that does not take place?—The Europeans are employed for special purposes of their own choice; here they are compelled to put upon us where it is unnecessary, where you can have Indians of the same efficiency to do that work.

16,738. But Europeans in Native States send their savings home just the same as Europeans in British India?—Yes, that is true, but the Native States do that of their own choice for their benefit; in the other case it is compulsory to an extent that the people cannot afford.

16,739. Now we come to a point in which you see a great advantage in the Native States, that is to say that they build and extend their own railways from revenue?—They have their revenue.

16,740. British India is not able to do that because they have no revenue?—They cannot, yes.

16,741. Do you think you are correct in that statement?—In which part of the statement? Baroda has built its own railway.

16,742. That, while the Native States build their railways from revenue——?—Baroda has built it from revenue.

16,743. British India is not able to do so?—No, it cannot.

16,744. You think that is correct?—Yes, I think so.

16,745. Do you happen to remember a question in our evidence some time back in which it was shown that the British Government has spent Rx. 22,000,000 on railway and irrigation works out of revenue?—What is that compared with the whole debt.

16,746. I did not ask what it was compared—is that the vidence or not?—If you want to modify it in this way, hat Briti h India has from revenue spent some money on railways, of course I do not deny altogether.

16,747. Do you think that the Native States have spent anything like Rx. 22,000,000 on railways?—But Native States are not so big as British India.

16,748. Then, in proportion?—In proportion they have spent a good deal, and they are spending more every day.

16,749. How much, do you know?—One Native State has lent to another Native State for railway extension.

16,750. Can you tell us what amount the native states have spent on railways?—I would work it out if you want it.

16,751. You do not know?—I could not tell you off-hand.

16,752. But that is not all, besides the expenditure on railways and irrigation, the British Government has spent—I have taken it out for 10 years, 1885–6 to 1894–5—has spent immense amounts on roads and rest-houses, and all sorts of communications?—Yes.

16,753. And on other public improvements, water supply, and so on. Will you allow me to ask my question?—Yes I am not interfering.

16,754. The total of expenditure from revenue on these for the 10 years, 1885–6 to 1894–5, amounts to Rx. 43,000,000?—Yes. All that from that wretched taxation; all that from a small amount. You ought to have been able to do 10 times as much.

16,755. Will you allow me, that is spent by the British Government from revenue?—Yes.

16,756. So you are wrong in saying that the British Government is unable to find revenue for public works?—Yes; that is, to the extent they ought to do.

16,757. That was not your remark?—I have said that in my evidence to-day; I have referred to that point. All this is from a poor revenue, therefore they ought to be able to if they were in the same condition as the Native States, then their expenditure would have been in such a large proportion.

16,758. I think it is plain, then, that the native state subject is really in precisely the same position as the British Indian subject as regards the appropriation of his taxation to the interest on loans which they have in Mysore and the Nizam's dominions, too; to the payment of Europeans employed by the States, and to payments made towards the cost of the British Army, as in the case of Mysore?—Yes.

16,759. I think all you have shown me is that a large revenue is raised, and not why the people are more prosperous?—Yes.

16,760. Do you recollect also that the Native States contribute largely to the British salt revenue?—Yes. Well, that shows, you see, that there is something drawn from other people which the people themselves are not able to supply.

16,761. The point I am making is that the Native State subject pays money to the salt revenue?—So much the worse.

16,762. Which money goes abroad?—So much the worse for the British Administration.

16,763. Again, they pay a portion of the duty on piece goods?—Yes.

16,764. In all these ways they pay taxation?—Yes.

16,765. Which goes out of the Native State?—No. Still, as much as goes out of the state, they are still able to do that and be prosperous.

16,766. Well, I will take the point of prosperity. Will you allow me to ask you a question as to the testimony of your own eyes. You are a native of Western India?—Yes.

16,767. You know the districts of Kaira and Neriad?—Yes.

16,768. You know the magnificent cultivation of Neriad?—Yes.

16,769. Do you know also the Plains of Kathiawar?—Yes.

16,770. Contrasting those two, do you think the conditions of prosperity in Neriad are smaller than those in the Native States of Kathiawar?—Well, is it fair to compare a very fertile portion of the country with a portion of the country which is not so fertile? Leaving that alone; I have been in Baroda; I know something of the condition of Baroda, of the condition of the people of Baroda, its revenue, having administered that for a year; and I know that the Baroda people are much better off than the people of the neighbouring territory.

16,771. Baroda, again, is a particularly rich territory?—Very well, then, if you compare it.

16,772. That is exactly my point. Do you not think the comparative prosperity of the people depends as much on the fertility of the lands they have to cultivate as on the form of government?—If it is a fertile region and the political condition is good it will be still happier, still better.

16,773. The advantage of the political condition is that they pay three times as much taxation?—Yes, it all comes back to them, while in our case one-third does not.

16,774. I have shown that it does not all come back to them?—The very fact that so much is raised from them, and all that comes back to them.

16,775. You forget you have admitted Europeans?—Very few Europeans, they are not worth considering.

16,776. Loans are raised; tribute is paid?—The tribute is very small compared with the resources.

16,777. Now, as to the capacity for taxation not being the result of any oppressive taxation?—It is oppressive taxation, because they are unable to pay it.

16,778. Will you kindly wait until you are asked a question?—Yes.

16,779. I wish to contrast the British system as regards the land revenue with the native state system. Are you aware that the Famine Commission, after very carefully examining the question, and with every advantage in access to statistics, brought out that the incidence of the British land revenue was about 7 per cent. of the gross produce; are you aware of that?—I am not aware of it, but I would take it from you. I believe you; yes.

16,780. Are you also aware that the ordinary system in the native states is that the state—the Native ruler takes one-half of the gross produce. You see, then, there is a considerable advantage there on the side of the British subject?—Yes, and yet all that advantage is lost on account of the system of the Government.

16,781. That is your assumption?—I simply mention the fact that the half—I take that for granted—though I know that in the British assessment it is a great deal more than 7 per cent.; but I do not question that point. I take the fact as you have placed it, but the chief point is, that though they may take half of the produce, or more or less, the produce remains in the country. It is enjoyed by the country, every part of it.

16,782. I have ventured to show you that it does not?—Very well, you may say so, and the difficulty is that the exception of just this little portion of tribute that they pay; it is not large at all or weighing upon them, and they are increasing in prosperity, so that this tribute is almost not worth thinking of; but the prosperity consists in this, the difference in the two rules consists in this, that in one case every farthing, as in this country, although it pays nearly 100,000,000*l.*, but all that 100,000,000*l.* come to the people; in the other case one-fourth or so goes to other people and not to the Indians. There is the point. Of other comparisons I have no complaint to make.

16,783. Do you consider the British land revenue to be oppressive to the people?—Their taxation, I consider, is oppressive, simply from this point of view, that it becomes oppressive. The people's capacity for payment becomes less and less every year.

16,784. And that it reduces the people to a state of starvation?—Just so; it does.

16,785. Would you allow me to read a part of a speech made in India by Sir Syed Ahmed, Khan of Aligarh?—He has his own views, and I have my own views.

16,786. In the course of the last month?—Yes.

16,787. He says, "Two very large classes of the population consist of zemindars and peasants. The amount of "attention that is now given to the welfare of the peasantry "is unparalleled in any former Indian kingdom. In those "provinces in which the East India Company made a "permanent settlement of the land the enormous increase "of the wealth of the zemindars has been such that it is "unnecessary for me to enlarge on it, but I wish to say "something about the land revenue system in the provinces "in which there is no permanent settlement. If you will "study old histories you will find that the mode of "assessment adopted by this great empire is far lighter "and milder than that adopted by former rulers. The "most famous of former land settlements was instituted "by Shere Shah, and perfected by Akbar, and I wish, in a "few words, to explain the difference between that system "and the present one, so that everyone may understand "it. It is this, that in the former system Government "took a share of the whole produce of a village, and under "the present Government a share of the whole produce is "not taken, but a share only of the surplus after the "peasants have received their dues. Hence, everyone can "see how light and easy is the land settlement even in "these provinces in which there is no permanent "settlement. No one can deny that under this good "administration every species of property, and especially "landed properties, has immensely increased in value. "These landed properties, which were formerly a burden "on their owners, are now a source of profit and wealth, "of honour and social distinction. The income from "property has increased tenfold, so that he who formerly "got Rs. 10 now gets Rs. 100, and the owner of an estate "worth Rs. 10,000 has property now worth a lakh"?—Yes; so I answer, first of all, the proportion of people to whom he refers is but infinitesimally small. The large mass of the people suffer. This is what we complain of, both from starvation and famine; but with regard to the system of assessment, I would take for granted that it is a good system, that the system adopted by the British is a better system than the old rulers had; but the whole mischief comes in this, that whether it was a bad system or a good system in their old Government, and under their own kings, every farthing produced was taken by the State and returned to them, it remained in the country. The evil of this foreign domination is that it drains the country of a portion every year unceasingly, and there the whole difficulty lies. If some proper suitable remedy were applied to reduce that to its minimum extent—a fair tribute—we do not then object to pay the tribute, as it were, just as the Native States pay; but that could be brought within such dimensions as would enable India to make capital, so as to be able to stand on the same footing as any other country; it would be all right. As I said in answer to former questions, I do not want to object to the system of rules that are adopted for the sake of good government. I accept them. The difficulty lies in the economical condition of the foreign domination, and that must be reduced to its lowest possible mischief, which cannot but be incidental to a foreign domination.

16,788. I have pointed out to you that what you call the drain amounts to about one-fourth of a very low rate of taxation?—Very well.

16,789. And that about one-half of that in the year we took was paid by China. Now I want to ask you with regard to another point; there seems to be some

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misunderstanding as to the return of the price and profits of exports?- Yes.

16,790. You seem to be under the impression that the British Indian subject does not get back his full price and profits of his export; that some part is retained somewhere? — That is this what is taken away from the country.

16,791. Will you let me now just put a case. Suppose that a British Indian subject in Ahmedabad, and a Native State subject in Kathiawar adjoining, each sent home cotton worth ten sovereigns?—Yes.

16,792. Each of those men gets the full value of his ten sovereigns in rupees paid to him, does he not?—Yes.

16,793. Then the British Indian subject is not deprived of any part of his ten sovereigns?—Yes; I will explain that. The British Indian subject, in sending his ten sovereigns worth of produce; that produce is here intercepted by the India Office in sending him a bill.

16,794. Not the produce, I think?—That produce is sold, and the agent for the sale of that produce pays the British Indian subject by an India Office bill, and sends it out there to be paid, not from the price that is got here from that produce, but from the revenues of India that are drawn upon to meet that bill which is kept here. That is to say it is paid from the revenue. It requires to be understood clearly.

16,795. We are all perfectly aware of that, Mr. Naoroji. It is a convenient fiscal expedient?—No.

16,796. Yes?—I would not interrupt you.

16,797. It is a convenient fiscal expedient?—Yes.

16,798. That is to say, the Secretary of State, wanting the gold here for the Home charges, takes from the merchant the gold price of the Indian produce and he gives the merchant an order on the Indian Treasury for an equivalent amount of rupees?—Yes.

16,799. Does that in any way affect the profit of the native producer and exporter in India?—Of course its effect is this, that as much as is intercepted here by the India Office in sending their bills off that price of the produce, does not itself return to India, but in its place that price of the produce is paid out of British revenue which, in the case of the native states, is quite different, he gets back actually the return.

16,800. It really amounts to this, does it not, that that small portion of the low taxation fund is paid at home for material and service supplied to India from England?—Very well, we come back to that again.

16,801. I do not wish to go into that. That is the fact, whether you think the services are worth it or not is another question. I say it is paid for in material or service supplied to India?—That is the whole of my complaint.

16,802. That is the whole transaction?—That is the whole of my complaint.

16,803. The money might be sent home to India, but the money, the gold, is kept here and the silver is obtained for it in India?—Which must be paid in some shape or other.

16,804. Does that affect the native exporter of the produce itself?—No, the native exporter is not affected.

16,805. That is all I wish to know?—But then, at the same time, it is misleading if you stop there.

16,806. I beg your pardon, I do not think it is at all misleading?—I must give my full answer, that the native exporter receives his money from the Indian Exchequer and not the money which is actually got by the sale of the goods. The sale of the goods, which means, therefore, that so much of the produce of the country entirely went out of the country without that material return in the shape of produce or bullion or in any shape.

16,807. But in the shape of service or materials?—Then that service comes in. The service does not give us a grain of rice more, but then the service in itself again is a further complaint, a further grievance of ours.

16,808. The question I was asking you was as to the profits of the native exporter, you will admit that he gets back the whole of these profits?—He must get his value; but at the same time, he does not get it from his own proceeds, he gets it from Indian revenues.

16,809. Never mind?—That makes all the difference.

16,810. Not the slightest?—That is what I complain of; else, I have no complaint whatever. The native gets this, but then what he has sent here is never returned except in the shape of services.

16,811. It is simply a convenient arrangement?—It is not a convenient arrangement, it is an economic drain.

16,812. You have admitted that the Native State subject and the Indian subject each get their full equivalent of the 10*l.*?—The native must get his 10*l.*, but in the one case——

16,813 And out of the 10*l.* the Native State subject pays 12 or 18 rupees of taxes, and the British Indian subject pays half a crown?—Yes, because the Native Indian subject does get back his full price of the produce that he has sent, all the 10*l.*; and the British Indian subject, that is to say British India as a body economically, does not get his own 10*l.* That makes all the difference.

16,814. I want to ask you a few questions as to the agency employed in exporting; that is to say, the foreign merchant. You are particularly hard on him are you not?—In what way?

16,815. You grudge him what he eats?—I do not grudge him anything.

16,816. You said of him "he eats what the Indian would eat if he did not eat it"?—That is the Indian not employed.

16,817. Oh no, the merchant?—The merchant or the non-official?

16,818. What is the merchant in India? What is his business. Does he not export raw produce?—Yes.

16,819. And import English goods in return?—Quite right.

16,820. His gains are what—the interest on the capital he employs in that business?—Yes.

16,821. Do you not think that that is a benefit to India?—Under a self-governing country, if we were a self-governing country, or at least governed in the way I am describing, we would welcome the merchant, because we would have our own resources daily employed, and the merchant would have so much more, and he is quite welcome to come in there and use his capital, and get any profit himself in the perfect free trade, but our position is that we are helpless, our capital is taken away from us, we cannot make any capital, and the foreign merchant or the foreign capitalist comes in. He has a full monopoly, as it were, of the resources of the country, he benefits by it, and we are simply the hewers of wood and the drawers of water to them. That makes an entirely different position in the economical condition of India.

16,822. Does the foreign merchant pay taxes in the country?—He may pay taxes. It is nothing, the small amount he pays. It is all very good.

16,823. Does he spend largely on living and employ labour, and so on?—Yes, to his profit.

16,824. Has he any privileged position at all?—No, the economic condition is the thing in all these things.

16,825. I find, however, in one of your remarks you suppose that he has a certain privilege?—Oh, yes, he has. I can understand what you mean.

16,826. I should like to ask you about that?—Yes.

16,827. You say here: "The position of the exploitation "by the foreign capitalists is still worse than I have already "represented. Not only do they exploit and make profits "with their own capital but they draw even their capital "from the taxation of the poor people themselves. So "that the European merchants, bankers, &c., may have "Indian taxes at their disposal, the profits of which, they "may take away to their own country"?—Yes.

16,828. What does that mean?—I have explained it thereto.

16,829. Oh, I see?—If you read further on in explanation I have quoted Sir James Westland himself.

16,830. Allow me to read Sir James Westland?—Yes, if you please.

16,831. You say: "The following words of Sir James "Westland in the telegram of 'The Times' of the "18th December last, will explain what I mean. Sir "James Westland then explained how closely con-"nected the money market of India is with the "Government balances, almost the whole of the "available capital employed in commerce practically "being in those balances. . . . A crore and a half, "which under normal conditions would have been at "head quarters in Calcutta and Bombay, had been placed "at the disposal of the mercantile community for trading

"purposes," and so on. Is it possible that you have confused these two different things, that is, the loan of money out of taxes to foreign merchants for trading purposes, and the supply of the currency by the Government for the trade generally?—No, this is quite a different thing. This simply means this: that a portion of the taxation or the money raised by taxation is or would have been available, as he says, at the disposal of commerce, and that means, therefore, that a portion of the taxation goes into the banks; from these banks European merchants mainly draw their credit, and use that money for their own business, which in reality is supplied to them as a capital from the taxation of the people.

16,832. Do you mean to say that the Government lends the taxes to the foreign merchants?—No, the Government does not lend. The Government gives it to the banks, there is a certain amount of balance kept into the banks. The merchants get the benefit of it because the banks do not put it in a stocking, and put it away saying, "there is Government money, it must remain there." They use it, they lend it; they make a profit out of it, and that means that it goes mostly to those who are in the commercial world.

16,833. Do you really suppose that that amounts to lending the taxes to the merchants?—It is so really.

16,834. Lending the taxes?—Because it is from the taxes that that money is deposited in the banks; where does that money come from?

16,835. Well, we will leave it there. Now I should like to say a few words about the civil administration. You are even harder upon the civil administration than you are upon the foreign merchant?—How; in what way, let me see?

16,836. Well, I will quote a few of your phrases. "The European civil and military services are a burthen and a destruction to India"?—Yes.

16,837. "The European services are India's greatest evil." "The present forced, inordinate, and arbitrary "employment of Europeans." "A charge forced upon "India by sheer tyranny"?—Yes.

16,838. "It is the British Indian authorities who have "made India what she is, bleeding at every pore, "and a helotry for England." "The sovereign, the "British people and Parliament have done their duty by "laying down the true and righteous principles of dealing "with India, but their desires and biddings are made "futile by their servants, the Indian authorities"?—Yes.

16,839. Now do you mean to say that you really believe that the English authorities in India are at liberty to disobey and set at defiance the orders of the English Government?—Why, your own Viceroy has acknowledged it in so many terms. Lord Lytton in his private minute says distinctly that of the two ways of saying straightforward to the Indian people that we shall not do this, or that. Instead of that we have deceived the people; we have adopted (I think the words are) transparent, deliberate subterfuge in all these matters.

16,840. Have you got that paper?—It is in the statements. I will read the part itself.

16,841. Have you got the paper you are quoting—Lord Lytton's?—I will read it.

16,842. Have you got the whole of his confidential minute?—No such confidential minute.

16,843. Has it ever been published?—I do not know. I will tell you. The extract was brought forward publicly, by a speaker in the first—I think it was the first—meeting of the congress. It is in the very first congress. It has been in the public prints all this time—12 years—and it has never been contradicted.

16,844. It was a confidential paper pilfered from the Viceroy?—That I do not know. I have nothing to do with that.

16,845. Will you answer this question? Was the purport of that paper in favour of a larger employment of Indians in offices in India?—It would have been very good if it had been published. I do not know.

16,846. Was it so or not?—I do not know. This is the only extract out of the despatch which has become public some way or other.

16,847. Now let us return to the question before us?—Yes.

16,848. Will you give an instance of a great public measure, in which the Viceroy and the Government officials in India have thwarted and defied the wishes and the orders of the English Government?—Yes.

16,849. Give it, then?—This very Act of 1833 has been left a dead letter up to the present moment.

16,850. That is not at all to the point?—Yes, but I want to show that.

16,851. I want you to show me some great measure?—This is the great measure.

16,852. In which the Anglo-Indian authorities, the English authorities in India have defied, and resisted, and obstructed a great measure which the English Government wished to give effect to in India?—That is just what I am answering, that the greatest of all measures, our very emancipation as you may say, our great charter, the Act of 1833 has been kept a dead letter up to the present time.

16,853. But is it not the case that whatever has been done in that matter has been done under the orders of the Secretary of State and the English Government?—Very well. It is no consolation to me whether it is the Secretary of State or the Government of India. When I am talking of the authorities I talk of both.

16,854. No; I beg your pardon, I quoted this to show that you were speaking of the English in India of whom you complained?—I speak of the English altogether.

16,855. I beg your pardon, it is not so?—Whatever the

16,856. They are the public servants, the Indian authorities?—Yes, the Indian authorities; but I mean, of course, the Indian authorities in both countries.

16,857. You say, "British Indian authorities and Anglo-"Indians generally obstructing at every point any step "desired by the British people for the welfare of the "Indians"?—Yes. There it is. This illustration. This is confirmed by Lord Lytton himself. Then there is the admission by the Duke of Argyll, showing that we have not fulfilled our promises, and I could make out a statement if you like.

16,858. And you condemn both the Anglo-Indians and also the Government at home?—Oh yes, both.

16,859. But the Government at home is responsible to Parliament?—Very well.

16,860. And Parliament represents the English people?—Yes; and Parliament has passed the Acts.

16,861. And do you mean to say that the Indian Government can refuse to obey or ever have refused to obey any order sent out to them from the Cabinet and the Secretary of State at home?—But there are the facts.

16,862. Where?—This Act of 1833 has been disobeyed entirely. The Act of 1870 was disobeyed for six years and every effort was made not to carry it out.

16,863. I have shown already that it was not disobeyed for six years and you admitted it?—Very well. Then, again, I give the authority also.

16,864. Will you kindly answer the question about that statute of 1870?—Yes.

16,865. Is it not the fact that nothing could be done under that Act without the sanction of the Secretary of State?—My complaint is about the Secretary of State as much as about the Government of India.

16,866. You say it is the English authorities in India?—No, Indian authorities. I mean, if I have not expressed it properly, my complaint is more against the India Office than against the Government of India. To take for instance this resolution that was passed for simultaneous examination, why the Secretary of State and the Government of India resisted to the tooth, and they would not have it, though the resolution was passed by the House of Commons.

16,867. But they may be quite right in the opinion of the British Government?—That is another affair. As to the disobedience of the Government of India or the Secretary of State to a resolution passed, this is the instance; really the reasons are there before you. Whether they are good reasons or bad reasons is not the question now.

16,868. You have shifted your ground. Your statements were made about the British Indian authorities, and I wish to know whether it is true that they can act in defiance of the home authorities?—No, I never meant such a thing. I mean both British and Indian authorities. I mean both authorities over India; I have repeatedly stated that, as well as in this country.

16,869. Let that rest there?—Very well then.

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16,870. You have condemned these European services in these strong terms, I want to call your attention to the sort of work that they have done in India?—Yes.

16,871. India is a great exporter of raw produce, is it not?—Yes.

16,872. And what a country of that nature requires is to be opened up by railways?—Yes.

16,873. Up to last December the Government had opened 20,000 miles of railway?—Quite.

16,874. Did the natives of India take any great part in promoting those railways?—Simply because they have not got the means, their means are taken away.

16,875. That is what you say?—Yes, that is what I say. If the people were able to invest their money in those railways they would be only too glad to do it.

16,876. We have had that a great many times. Now, with regard to commerce, I will just read, and it is as good as anything for the purpose, the remarks of Mr. Playfair in the Chamber of Commerce in Calcutta this month. He says, speaking of Her Majesty's reign and the increase of Indian trade during Her Majesty's reign: "The combined "value of exports and imports, including treasure, in "1837 amounted to about 19 crores; it now exceeds 200 "crores. The capital invested in cotton mills exceeds 13 "crores, and in jute mills 4 crores. The cornfields yield "3,000,000 tons annually, while the tea crop is valued at "24 crores. The progress which the country has made "in the 60 years, during which its resources have been "developed, communication improved, law and order "maintained, and the protection of life and property "assured, was described as lending lustre to the Queen's "reign." Then I will quote a few figures relating to the last seven or eight years. In four provinces, being the Punjab, Madras, the Central Provinces and Lower Burma, for which exact figures happen to be available—the average cultivation—cultivated acres, in 1886-9 was 72,215,000, in 1893-5 the average acreage was 80,915,000. The value of some of the principal exports, cotton, rice, wheat, oil, jute, tea and indigo, in 1881-5 the average was Rx. 54,000,000; in 1891-5 it was Rx. 73,000,000?—Yes.

16,877. You see the increase which has taken place in the figures which I have quoted?—Yes. But all this I have fully explained in my statements.

16,878. Now you will naturally say that the taxation also has greatly increased?—Well, we are going into a subject which requires very careful examination, both with regard to the trade and with regard to the taxation, and we are not going into taxation; I am not allowed to go into that by our reference, or I would have gone into it.

16,879. I am merely wishing to give you a few figures as to the great increase of taxation, which is probably a question in which you take an interest?—Yes.

16,880. I was taking the Queen's reign as before. I find that between 1839 and 1840 the average yearly taxation, was 18 crores; in 1896-97 it is 65 crores?—That does not show that there is a natural increase of prosperity, it has been new taxation.

16,881. No, on the contrary, I suppose it would *primâ facie* show that there had been a heavy increase of taxation?—Yes, heavy and crushing.

16,882. I wish you to look at one or two items. The land revenue has increased from Rx. 12,000,000 to Rx. 26,000,000, that is an increase right off of Rx. 14,000,000?—Well, it is not a great matter, after so many years of increasing assessment.

16,883. Of course there are new provinces which have been added?—Yes.

16,884. And, as I have just shown, an enormous additional acreage has come under assessment?—Yes.

16,885. For instance, it amounts, as I have shown you, to 8,000,000 acres in 7 years in four provinces only?—Yes. There is an increase of population also.

16,886. Then, in opium there is an increase of from Rx. 784,000 to Rx. 7,123,000?—Yes.

16,887. That 6,000,000 is got from China, as we have already agreed. In customs there is an increase of Rx. 4,000,000 and in excise an increase of Rx. 6,000,000?—Yes.

16,888. That is upon strong liquor generally?—Yes.

16,889. In stamps there is an increase of 4,000,000?—Yes.

16,890. I suppose in none of those things would you find a specimen of "crushing taxation grinding India to the dust"?—How has that taxation increased? The nature of the taxation, the principles upon which it has enhanced, that has to be considered and examined before you give any judgment upon these.

16,891. I have just been accounting for the increase of land revenue?—Yes.

16,892. The increase of Chinese tribute?—Yes.

16,893. And so on?—Well, what I say is that the increase in the land revenue is an increased oppression; well, without going into the character and the examination of the increase of this land revenue, unless we go into a thorough examination of the way in which it has increased and the other increases, we cannot form a judgment generally that it is all favourable, because a more high figure is not necessarily good. We are precluded by our reference from going into taxation.

16,894. I have shown you that in 10 years there was an increase of over 8,000,000 acres in four provinces?—Yes, and there is an increase of population also.

16,895. Which came under assessment?—Yes.

16,896. So that it is the growth of cultivation which largely accounts for the increase of the land revenue and also the increase of territory?—All this requires examination, which the Commission cannot go into.

16,897. But I think you know that as a fact?—If it is a fact we must go into it, and we cannot go into it here.

16,898. There is one item which I have not noticed, and which you have not noticed also—salt. The increase during the Queen's reign has been from Rx. 2,696,745 to Rx. 8,861,845?—Yes, by what increase of rate.

16,899. An increase of 6 millions of Rx.?—Yes, and there is an increase in the rate of taxation.

16,900. That, I suppose, you would consider as an instance of heavy additional taxation?—Yes, it is additional taxation, and it is more crushing to the poor people that it should ever be taxed at all.

16,901. It is a poor man's tax?—It is the poor man's tax; he is not able to pay any tax. He is starving, he is dying off at the slightest touch, living on insufficient food.

16,902. The incidence of the salt tax has been lightened and not made more heavy during the last 30 or 40 years. Do you know that fact?—There is no need of doubting anything; if the fact is a fact you can put it here before the commission. There is no need of doubting it. All I know is that there are 6,000,000 or 7,000,000 raised from salt, which is one of the most objectionable taxes that can be put upon these poor, wretched people.

16,903. The question is whether there is a crushing and increasing burden of taxation, crushing the life out of the people?—That is what I consider.

16,904. I wish to show that this salt tax, which is the most open to objection, is actually lighter than it was 30 or 40 years ago?—If it is actually lighter than it was 30 or 40 years ago, that is no consolation. It was very heavy.

16,905. Do you know what the price of a pound of salt is in India?—I know in my own time what the price of salt was. I, myself, as a little boy, used to go to the salt store and used to buy it far cheaper than it is now.

16,906. Do you know what the price of salt is—a pound of salt?—Yes.

16,907. Well, what is it?—It is a tax added to its cost of production.

16,908. What is the price of a pound of salt in India?—I do not know the exact figure; I can find it out very easily.

16,909. I only wanted to know whether you knew?—I do not know just now; I cannot tax my memory immediately.

16,910. The price of a pound of salt in India is something over ½*d.*; it is ·68 of a penny. The price of salt in London is ·75 of a penny; so that it is dearer in London than it is in India?—Yes, it is much worse for the Indians than in London, because the people have not the means of paying. Lord Cromer said, when talking of this: You say that one anna—it only costs one anna, or the addition is one anna; do you mean to say that one anna is not a matter of concern to people who are so extremely poor?

16,911. I quite agree with you that that is perfectly evident?—It is perfectly evident.

16,912. This is really the only tax the poor man pays?—They are not capable of paying it. They are starving, as you know.

16,913. I wish to point out the nature of the salt tax in India. It is generally looked upon as a rather arbitrary tax. The real fact in India is, is it not, that the Government sells the salt to the people?—Yes.

16,914. And charges a certain duty—at present 2 rupees 8 annas a maund, in addition to the cost price of production?—Yes.

16,915. With the result that, while the salt supplied is of very excellent quality—far better than it used to be—the price at which the salt is sold is less than it was 40 years ago; that is all I wish to bring out?—Yes, but all I wish to say is that, notwithstanding that, these people are so wretched that they cannot get enough of salt for themselves and for their cattle.

16,916. That is what you say?—Well, those are the facts.

16,917. Now, with regard to what you call the minimum which you want to sweep away—the minimum civil administration—you call it inordinate; "forced inordinate and arbitrary employment of Europeans"?—It is arbitrary because we have no voice in it.

16,918. Of course not?—Yes.

16,919. Are you aware that the higher administrative body, the Indian Civil Service, consists of less than 1,000 persons, of whom about 60 are natives?—Yes.

16,920. You grant that?—I know that.

16,921. Do you think that a large proportion for managing 300,000,000 of people?—It is the amount of money which is paid to them, and the economic effect of the large amount of money which is paid to them. It is not simply the men.

16,922. You think that too many?—Yes, certainly. It is the very cause of the whole grievance.

16,923. You would sweep them all away?—No, I would not sweep them all away. You may have your viceroys and governors, and a few heads of departments to have your whole control. There is no necessity for having this 1,000 Europeans.

16,924. Let us go on to the next official rank; the middle rank—sub-judges and magistrates, and that class. I take the figure of the Public Service Commission Report, that is sufficiently near; the number of persons is 2558?—Yes.

16,925. Of these 35 were Europeans?—Very well.

16,926. Thirty-five were domiciled Europeans, 104 were Europeans permanently resident in India and Eurasians?—Yes.

16,927. When you get to the next rank below that the whole are natives?—Of course all the lower places are given to Indians, because they cannot help it. It is at these low salaries Europeans could not be employed.

16,928. It is not necessary to attribute motives. I suppose it is a fact, is it not?—It is a fact. I do not say it is not, but it is the higher salaries that it takes away.

16,929. Are there native judges on the benches of the High Court?—There are some few.

16,930. Are there native judges on the benches in each High Court?—Yes.

16,931-2. Are there native gentlemen in the Legislative Councils?—Yes, that has nothing to do with the economical condition, and they do not get anything.

16,933. Are there native judges on the district benches?—Yes, on the district benches. Do you mean what are called district judges, and who can be only employed from the civil service?

16,934. Yes?—Well, there are a few that, being entered into the civil service, are necessarily district judges.

16,935. The provincial service comprises a considerable number of the district judgeships, which have been handed over to them in order that natives may be employed?—It is yet to be seen whether this provincial service which has destroyed the statutory service will fill up its place. We have been deprived of something like 200 situations given to us in the Civil Service by the introduction of this, what is called the provincial service; we lost instead of gained by it.

16,936. Would you take it from me, that in the North-West Provinces now, or very recently, two district judgeships having been placed in the provincial list, there are four native gentlemen filling the appointment of district judge?—I am very glad, so far; we have made very little progress but the progress would have been far greater had the Act of 1870 been kept intact, and the number of additions which was a partial instalment, what was given to us on my petition through the East India Association by Sir Stafford Northcote. If that had been loyally and faithfully carried out by this time we should have had a much larger number.

16,937. Will you answer me this question? Has the general tendency of the British Government been to increase or decrease the employment of natives in public offices?—Well, there are two opinions upon it, and, of course, we are obliged to remain on general belief. There is an opinion prevalent in India among the Indians that wherever they can introduce an European they try to do it, notwithstanding the despatch of Sir Stafford Northcote referred to, with regard to 200 rupees of salary, namely, that any appointment of 200 rupees of salary, or above that salary, should not be given as far as possible to an European, but to an Indian, except with the consent of the Secretary of State. But the actual practice, so far as I have heard, has been that situations are given to Europeans. The Secretary of State's consent is taken, and that really and properly speaking the despatch is a dead letter, in which Sir Stafford Northcote had put very strong grounds. I have not got that despatch, or I should have been glad to read it.

16,938. Do you know that in 1880 the recruitment for the Civil Service was decreased by one-sixth, in order to make room for natives?—For the Act of 1870.

16,939. Quite so?—But unfortunately then for 10 years there was such a deal of opposition to it, some way or other, that it was cut away.

16,940. What was cut away?—This one-sixth, had you gone on adding this one-sixth we should have been very glad.

16,941. I beg your pardon, the decrease of the civil servants has not been abolished?—The statutory service does not exist.

16,942. But the provincial service has taken its place?—The substitution of the provincial service was actually a loss to us from what was the statutory service.

16,943. I do not admit that at all. You have got the whole of the statutories so far?—That is so. Those that had been passed; but none after that—after that year.

16,944. Of course not?—The year 1888 or 1889.

16,945. The provincial service has been substituted?—The provincial service has been substituted on a different scale altogether.

16,946. The provincial service has been substituted?—There was no reason why it should be substituted. The statutory service was a great gain to us, as an instalment, and as a part of the civil service. Had you gone on adding that one-sixth to the service every year in 30 years, 210 situations in the service would have been held by Indians in what is the Indian Civil Service.

16,947. A statutory civilian does not hold a position in the service, he is simply put into some appointment. He is not a member of the Indian Civil Service?—That was the interpretation put upon it. The Act was passed in reference to our petition, and it was simply and solely an integral part of the Civil Service. The only difference was that——

16,948. Where is that, is it in the Act?—Oh yes, the 6th clause says that distinctly.

16,949. What does it say?—That instead of Indians being required to come and pass their examination here, to get into the Civil Service——

16,950. That is not in the Statute of 1870?—Yes, the service, the statutory service is a wrong name given to it. Why the Civil Service itself is the statutory service, the whole of it.

16,951. There is not a word of that in the Statute; the Statute simply says that in order to increase the promotion of natives of approved merit and ability, a native may be appointed to any post without restriction?—Yes, and then a certain portion is fixed, is it not.

16,952. No?—A certain portion—one-sixth—or something of that sort is fixed.

16,953. No?—And then the speeches will illustrate very largely what the Act says.

16,954. No; you are quite mistaken?—One sixth was prescribed in order that so many appointments should be made every year for the Civil Service.

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16,955. Was that in the Act?—Whether it is in the Act, or whether it is in the despatch, I am not able to say just now.

16,956. It is not in the Act; I have sent for the Act?—We shall see the Act. If it is not, some way or other the rule was adopted, in fact, by the Government from 1880, I think as you said.

16,957. It was in 1880?—And they fixed a proportion of six and seven, say six and seven every year. Well, there, they at least made it as the proportion in which they should be nominated every year. What it ought to have been would have been that by a good strong test of competition they should have been selected. Instead of that they were nominated by the Government, and the whole of the statutory service was discredited in that manner. It does not exist now, and the provincial service was substituted for it which the Government of India was determined to have as early as 1877 or 1878. They did not then get it, and they at last got it by their own way.

16,958. You are aware that the statutory civilians are young gentlemen of good birth and station?—Yes, but they were not competent.

16,959. And that was found on the whole not to answer?—Yes.

16,960. And therefore the statutory service was abolished?—Yes.

16,961. And what promised to be a better system was substituted for it?—No, but there is an injustice done to the statutory service.

16,962. We need not go into that; that is another question?—Then what is the good of putting your question to me; I must answer that question.

16,963. The injustice done to the statutory service has nothing to do with the question?—Yes, because you referred to the statutory service just now, and said it was found unsatisfactory; but the reason was, that the statutory service was introduced in a way which was sure to fail; instead of simply going to have boys belonging to good families, one essential and most important necessity was that they should have been first found and tested as competent to hold such places. Well, that was not done.

16,964. Quite so. It was right to do away with such a system, was it not?—Yes; but then that system should not have been introduced. Well, at least, this was the suspicion in the mind of the Indians, that these rules were adopted without the test of competence, and that it was the object of the Government to throw discredit upon it and to try to get rid of it.

16,965. Do you attribute such a motive as that?—I do not attribute it myself; but that is the general feeling, and also this is a fact, that this is a general feeling among the Indians, that the rules were made, whether intentionally or unintentionally—the rules were not such as they ought to have been made.

16,966. I will read part of the Statute of 1870, section 6. "Whereas it is expedient that additional facilities should "be given for the employment of natives of India, of "proved merit and ability, in the Civil Service of Her "Majesty in India: Be it enacted that nothing in the 'Act "'for the Government of India,' 21 & 22 Vict. c. 106, or "in the 'Act to confirm certain Appointments in India "'and to amend the Law concerning the Civil Service "'there,' 24 & 25 Vict. c. 54, or in any other Act of "Parliament or other law now in force in India, shall "restrain the authorities in India by whom the appoint-"ments are or may be made to offices, places, and "employments in the Civil Service of Her Majesty in India "from appointing any native of India to any such office, "place, or employment, although such native shall not "have been admitted to the said Civil Service of India in "manner in section 32 of the first-mentioned Act provided, "but subject to such rules as may be from time to time "prescribed by the Governor-General in Council, and "sanctioned by the Secretary of State in Council, with the "concurrence of a majority of members present; and that "for the purposes of this Act the words 'natives of India' "shall include any person born and domiciled within the "dominion of Her Majesty in India, of parents habitually "resident in India, and not established there for temporary "purposes only; and that it shall be lawful for the "Governor-General in Council to define and limit from "time to time the qualifications of natives thus expressed; "provided that every resolution made by him for such "purpose shall be subject to the sanction of the Secretary "of State in Council, and shall not have force until it has "been laid for 30 days before both Houses of Parliament?"—Those rules were made, which were unsatisfactory altogether. Unfortunately the Secretary of State, when the rules were made, did not pay attention to those rules, and they were unsatisfactory to us.

16,967. What you said about one-sixth and all that is not in the Statute?—I will find out.

16,968. You did not find it in the Statute?—I cannot lay my hand upon it at once, but the best proof of that is that the Government of India actually adopted a certain proportion, whether it was by a despatch from the Secretary of State for India or whether it was the Government of India's own decision I am not prepared to say, but there was the fact.

16,969. Are you aware of what were called the rules of 1879?—What are they, and what about them?

16,970. The rule of 1879 was that in this intermediate or middle body of officials, subordinate magistrates and judges and so on, no European should be appointed to a place of 200 rupees and upwards if a native could be found fit to hold it?—Yes.

16,971. Now was that provision in favour of the appointment of natives to that class?—Yes, it was, for the lower class.

16,972. At the same time that one-sixth was deducted from the recruitment of the civil service?—Yes, that was an independent provision.

16,973. Was not that in the direction of giving larger employment to natives?—Then I have to ask that question, if you would kindly supply it to us—how many appointments have been made since that time?

16,974. Since what time?—Since the time that that despatch was written, that no appointment at 200 rupees salary should be given, as far as possible, to Europeans, but to Indians, except with the consent of the Secretary of State; I never have been able to get the information.

16,975. I can personally testify that the rule has been most rigidly observed?—Very well, I am very glad to hear that, but I can tell you that the general impression among us is that it has not been strictly carried out.

16,976. That may be?—And the Secretary of State has sanctioned, of course, whatever the Government of India said, and all such situations have not been given; there was one complaint from Madras, if I remember rightly, of such an appointment which was irregular, and the Secretary of State actually put it back.

16,977. I have no doubt; that confirms what I say?—But I should be very glad indeed to be satisfied that that is done.

16,978. Might I put another point to you?—Yes.

16,979. The admission of natives to high offices has always been conditional, in a certain sense, from the first. For instance, in the Act of 1833 it is said that no native shall be excluded from office on account of his religion or his place of birth?—Yes.

16,980. It does not say that he is to be admitted to office on account of his religion?—He is not to be excluded; therefore he ought to have been given equal facilities.

16,981. Allow me to go on. In the Queen's Proclamation we find "that, so far as may be, Our subjects, of "whatever race or creed, be freely and impartially "admitted to offices in Our service, the duties of which "they may be qualified, by their education, ability, and "integrity, duly to discharge?"—Yes, quite right; that is all we ask.

16,982. Then when you get to the statute of 1870, it provides for the promotion of natives of approved merit and ability?—True.

16,983. So you see the Government always has the same difficult task of deciding, in any case, whether a native candidate is qualified by education, ability, and experience for any particular office?—Yes.

16,984. And that makes a considerable difficulty in carrying out the statute of 1870?—There can be no difficulty whatever if the Government is determined to do it, for they have only to lay down the standard.

16,985. But they are determined to do it, and they have done so?—They have not done so. That is my complaint.

16,986. They have tried various expedients, and are now trying one which they hope will succeed?—They have not tried the right expedient.

16,987. That is your opinion?—That is what I point out to you. The expedient is just as they have done here; they ought to have laid down rules according to which the Indian candidates are examined, and whether physical,

mental, or moral, there is the standard laid down there. Well, according to that standard, those Englishmen who come to that standard are elected in the same manner. Have the regular standard as high as you like, either mentally, morally, or physically; put it forward, and then let them come forward without any disabilities of being compelled to come to this distant country. Let them have equal facilities. We do not want anything more; we do not want any favouritism or any concession, but let us all be treated exactly on the same footing, and on the same standard, and then if we fail the fault will be ours. Let us have simultaneous examination upon the very same standard.

16,988. That is your view of the matter?—I can only give my view.

16,989. I want to ask you, generally, what it is that you want; do you wish to sweep away the whole English civil service?

(*Sir William Wedderburn.*) I think when Mr. Naoroji says again and again that he does not wish to do it that he should not be asked this question.

(*Sir James Peile.*) I want to know what he says.

(*Sir William Wedderburn.*) Mr. Chairman, I do not think, when Mr. Naoroji has only made a statement of that sort, it is a fair question.

16,990. (*Sir James Peile.*) I asked him whether he wishes to sweep away the whole civil service in India, which he describes as the destruction of India and its greatest evil?—Yes, as it is.

16,991. I want to know whether he wishes to get rid of it bodily?—There you misunderstand me. What I lay down in my fifth pamphlet, what I considered as the best means of governing India, is suggested by Lord Salisbury and Lord Iddesleigh themselves.

16,992. What proportion would you keep?—There is no proportion there; there you have first of all native states, and that supreme power should be maintained there a certain contribution from all the states, just to keep a certain reasonable amount of the European Army; and in each native state, as we will call it, you will have a political agent who will have a complete control over the work—call him a Governor, call him a subordinate, call him anything you like; this will supply the double purpose both of maintaining the supremacy in a very remarkable and in a very efficient manner, and at the same time the people will feel that they are governed by themselves.

16,993. I merely wish to ask whether you propose to retain any part of the Civil Service?—The European service? Only the highest portion, such as the Viceroy, the Governors, the Commander-in-Chief, leaving the military alone if we are talking of the Civil Service, and the Lieutenant-Governors, or you may go one grade below as a beginning. Now I do not mean to say that all the Europeans are to be turned out; let there be, as in Mysore, gradually every European place being supplied by the Indian, till at last you come to these highest places which are really not the places of the Civil Service; let us have the whole Civil Service, leaving alone all the high level to Europeans as the controlling power. That I have always said.

16,994. Then you would have the Viceroys, the Governors, and the Lieutenant-Governors?—Lieutenant-Governors; these certainly.

16,995. No Englishmen beneath them?—I do not see any necessity for others; but even if you go one grade lower for the sake of regularity in a practical way, you may begin with, say, one-half the Civil Service should be given to the Indians, and let the number be reduced from 1,000, as you said, to 500 or 400; that by itself would be a great relief.

16,996. And by degrees you would evict them all?—Then we may go on gradually higher up.

16,997. Then tell me about the Army; what would you do about that—the British troops?—I am quite willing to say that Lord Roberts put it very properly: He says we have an Army, and he praised that Army. I have not the least objection to that praise, but he said that after all the real strength of the British rule depends upon the contentment of the people. If the people were contented, and if they are at your back, no matter when Russia or five Russias come to invade India; if the people are at your back you can raise an army sufficient even to drive away Russia to St. Petersburg. But I am just going further—I am quite willing to allow that a certain portion of the British Army is absolutely necessary for the purpose of benefiting both England and India. Let there be a fair proportion of expenses divided between the two countries, because the European soldier or the European Army is wanted, especially for the sake of the British rule. We grant that the continuance of the British rule is also a benefit to us, and therefore we do not want to object to the European Army to a reasonable extent, and I will show that afterwards. Let the British people pay a share of it. Now, with regard to the whole Army, I do not see it is necessary. The number that was at the time of the transference to the Queen, say about 30,000 or say 40,000, may very well be kept, say, up to 40,000, and the half the share must be paid by the British on account of the mutual benefit for common purposes, and if the other plan is adopted of native states being formed out of them, they contribute what share would be considered as reasonable as for common purposes, and then the whole thing will be as natural and as worthy of the English name and the English fame as can possibly be.

16,998. Yes. You heard Lord Ripon say that his Government had considered the question most carefully?—Yes. Very well.

16,999. And had arrived at the conclusion that the proportion necessary to maintain is one English soldier to two natives?—Yes, because it is on account of the fear that is entertained that the soldiers cannot be depended upon; it is the fear of the people.

17,000. Of the soldiers?—I mean of the Indian soldier; it is the fear of the Indian soldier. We propose then—it is a question merely whether you are to act upon fear or upon confidence. If you act upon fear then there is no help; then, at least, you must pay a proper proportion for keeping such an European army as you think necessary on account of that fear.

17,001. If you had a very small European army do you think that you would have the means of preventing two sections of the Indian army fighting one another, Mohammedans and Hindoos for instance?—Again we are going back to the first proposition.

17,002. I said with a very small European army?—Have that confidence in the people and the people will side with you and will regard it as your and their own interest.

17,003. I am not speaking of the people siding with you, but of the people fighting among themselves?—The people fighting among themselves is quite a different thing altogether from the Imperial purpose of keeping up the supremacy of the British rule which, first of all, necessitates this employment of Europeans to an inordinate extent. If you say that a certain amount of European troops are necessary it is always from fear that the Indian army will not behave properly. I am willing to grant the fear, and whatever they consider as the necessity either of the protection or the fear of the Indian soldier going wrong at any time, very well, all this arises from the necessity of maintaining British rule in India and British Empire in the East. Well, therefore, I say that granting that an irreducible minimum, as Lord Ripon called it, granting that that is absolutely necessary, without controverting that point, I say that it is for the benefit of both, and therefore a share must be paid by the British Treasury. That is granting all the necessity that the British rulers may consider necessary to have Europeans there.

17,004. What I wanted to bring before you was this; suppose the English civil administration is reduced to half a dozen men, and the English army is reduced to——?—Say 40,000.

17,005. Would England be able to keep the warlike races of India from invading the peaceful ones?—The warlike races of India have been there for thousands of years, the peaceful ones have been there for thousands of years, and the people themselves and they have not disappeared. They are now even perishing by millions. Take for instance, Europe, civilised and highly advanced countries, they are armed to the teeth, one spark will throw them we do not know where.

17,006. But the history of India is that the people have been continually slaughtering each other?—What have you done here; what is the history of Europe? We do not want to go back, because we have learnt as you have learnt.

17,007. Is your receipt for reviving the prosperity of India to let loose the Pindaris?—Not necessarily; those days are gone; you have now introduced, and perhaps that is one reason that I say that your supremacy must remain there in a way in which the interest of every native state will be to take care of itself and will therefore depend more upon you, and you will be more secure, you see. I have proposed my plan, and I do not want to go beyond my plan.

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17,008. Do you remember what Sir Madava Rao, Prime Minister of Baroda, said to Lord Roberts on the subject of India for the Indians?—What did he say? I do not know.

17,009. He said it would be like loosing the bars of the cages of the Zoological Gardens and letting out the animals, that very soon they would all be dead except the tiger—the tiger was, I believe, the warlike people of Northern India?—Is this the result of 150 years of British rule that we are not so civilised enough to observe law and order?

17,010. It would be the result of the suspension of British rule?—The result of British rule that we are yet unfit for law-abiding people?

17,011. Now, Mr. Dadabhai Naoroji, we have kept the Commission a long time. You and I are agreed on certain propositions—that it is a disadvantage—however inevitable it may be—that, people, or a continent of people, should be under the supreme control of foreigners who cannot, from the nature of the Indian climate, be permanently amalgamated with the Indian people, and that in those circumstances it is the duty of the supreme power to be careful that the cost of Government should not be unduly heavy on a poor population, and that natives of India should be admitted freely to all public offices for which they are fit?—Yes.

17,012. But we differ in that I have some regard to facts and possibilities, while you, as I think, indulge in visions and certainly in a great deal of strong condemnatory language. Do you not think that, considering the facts to which I have called your attention, and the evidence before the Commission, when you describe the Government of India as a selfish and despotic tyranny, crushing India to the dust by cruel and reckless taxation administered by the civil and military services, which are the destruction of India and its greatest evil, when you describe Lord Elgin, Lord Lansdowne, Lord Dufferin, Lord Ripon, Lord Lytton, Lord Mayo, and Lord Canning as the agents of this selfish and despotic tyranny, defying and thwarting the desires and biddings of the British people and Parliament, so that India is bleeding at every pore and a helotry for England, do you not think you are, shall we say, somewhat overstating your case?—First of all, the words "poor people" is assumed there, or at least you understand it as if it is an actual natural necessary incident of the people; they are poor because of this system. When you make me say that Lord Mayo and Lord So-and-So and all the Viceroys and the Secretary of State are the agents of this tyranny—there, I say, I am misunderstood. They are merely working in a system which is evil and bad; they are working in a system; how far it is their fault, or their agent, it is quite a different thing. It is the system that is bad, and that makes very good men work on wrong lines, and therefore the result is that, on account of this foreign system, without giving the people of India such a position in its own Government as would make them prosperous, and, at the same time, benefit Britain, in that my complaint lies. The way in which you have put it just now is certainly unjust and unfair to me.

(*Sir James Peile.*) Well, I quoted your own words, and I will leave it there.

17,013. (*Chairman.*) We will now pass on to the question of the apportionment of the charge?—Yes.

17,014. Will you tell us what your suggestions or propositions will be upon that head?—Yes, my propositions are—(1) That it is the desire of the British people that British rule should be one of justice and righteousness, for the benefit of both India and Britain, and not for the benefit of Britain only to the detriment of India, and that the financial relations in apportionment of charge should be as those between two partners, and not as those between master and slave; (2) That upon this equitable basis the apportionment of expenditure in which Britain and India are jointly interested should be according to extent of the interest, and according to capacity to pay; (3) That the creation and maintenance of British Imperial supremacy in India is a British interest of the first magnitude; yet, with a few exceptions, India has been unjustly charged with the whole cost of creating and maintaining the British Imperial supremacy, without Britain paying any portion, and without India being allowed to share in the advantages connected with that supremacy; (4) That law and order are beneficial to India, but they are also British interest, as a condition essential to the very existence and prosperity of British rule; (5) That, assuming, as it is said, that India should bear all those charges for internal and external protection, which she would have to bear if British rule did not exist, she should not bear the special cost of European agency so far as used solely to maintain British supremacy. And, moreover, that if British rule did not exist, everyone employed will be an Indian and not an European; (6.) That, as a practical arrangement, Britain should pay for all British employed in Britain, that India should pay for all Indians employed in India, and that as regards British employed in India and Indians employed in Britain, there should be an equitable apportionment, according to respective benefit, and capacity to pay. To put it still more moderately, the payments to Europeans in both countries may be divided half-and-half between Britain and India; (7) That in the Army, Navy, and Civil Service, public employment, with its advantages and emoluments, should be proportioned to the charge; and in considering this point it should be borne in mind that in India Government employment monopolises in great part the sphere of private enterprise and the open professions as practised in Britain; (8) That the wars carried on beyond the Indian frontier of 1858 are, as stated by Lord Salisbury, "An indivisible part of a great Imperial question," and that therefore the cost should primarily be borne by the Imperial Exchequer, India contributing a fair share on account of, and in proportion to, indirect and incidental benefits accruing to her, and direct share in the services; (9) That from April 1882 to March 1891, nearly Rx. 129,000,000 were spent from Indian revenues beyond the western and north-western frontiers of India, for avowedly Imperial purposes, and that a fair share of this amount should be refunded from the Imperial Exchequer, and similarly for the cost of Burmese war.

17,015. Where do you get that 129 millions?—There is a return made.

17,016. (*Mr. Caine.*) What is the reference?—Return East India Military Expenditure beyond the frontier, No. 91 of 1895.

(*Chairman.*) Perhaps you would just hand it to me. (*Return handed in.*)

17,017-9. Quite so. Would you go on?—Colonel H. B. Hanna in his book No. 3 "Backwards or forwards," gives at page 40 a table, and makes the total about Rs. 714,500,000, out of which the British Exchequer paid 5,000,000*l*, towards the expenses of the Afghan war. Besides this amount he points out several omissions. I may put in this table with his remarks thereon in Chap. III.

17,020. Are there any further papers you would like to put in?—I desire to put in my correspondence with the War Office, the Admiralty, and the Civil Service Commissioners. In this I claim that neither the War Office nor the Admiralty had any authority or power to exclude Indians from the commissioned ranks.

17,021. What was the origin of this correspondence of yours with these three departments?—Questions were put in the Commission whether Indians were admissible in the Civil Service in this country, and then I put a question or two, I think to Admiral Kennedy, with regard to the admission of Indians in the naval service. The answers were not quite positive and I thought proper to communicate with these three departments and find out exactly what the real condition is, and that made me carry on this correspondence which I am now putting before you.

17,022. (*Sir James Peile.*) It is quite irrelevant to our subject, your correspondence?—The employment of the service?

17,023. (*Chairman.*) I am anxious to know what the object was, because the Commission must hereafter consider whether the correspondence is a correspondence which they would care to publish; therefore I will ask you what was the outcome of the correspondence—let me take first of all the Civil Service Commissioners?—The Commissioners have replied positively that the Civil Service is open to all the Indians in this country, excepting, of course, that they must come over here to be examined.

17,024. Yes?—Upon which I have put a short note saying that while for the civil service here every facility is given to the candidate, by examinations in Edinburgh and Dublin, that Indians should be compelled to come here for their examinations for service in their own country was not fair or just. That is a note that I have attached to it.

17,025. Your point there is that in order to qualify or to obtain admittance to the civil service in India, Indian gentlemen have to come over here to be examined?—Yes.

17,026. Did I not gather from some questions and answers that passed between Sir James Peile and yourself that there has been a statute passed to enable Indian gentlemen to be admitted on certain conditions to the Civil Service in India without coming over here?—Yes, a portion of them.

17,206*a*. I thought I also understood from Sir James Peile that the principle involved in that arrangement has been consistently carried out.

17,027. (*Sir James Peile.*) With regard to the appointment of natives in India, yes?—What I meant to say is, that there is a statute prescribing these appointments of a portion of the civil service, and rules were made and appointments were made; but after some nine or 10 years that is abolished, so that the statute is a dead letter now.

17,028. (*Chairman.*) Then, in fact, the point at issue between you and the Civil Service Commissioners was that you object to the Indian candidates for appointments to the Indian Civil Service being brought over here?—Yes; that was not the correspondence; it is my note upon the reply that for the English Civil Service they are eligible.

17,029. They are eligible?—They are eligible; that is distinctly pointed out, which was doubtful.

17,030. May I also ask the upshot of the correspondence with the Admiralty?—The Admiralty—I was obliged to put the last interpretation myself, that in the commissioned offices Indians will not be admitted, and so is the reply also of the War Office. I discussed that the authority by which they had any power to make appointments did not authorise them to exclude the Indians positively and distinctly from these services.

17,031. But you say that the regulations of the War Office and the Admiralty do exclude Indians?—They do exclude Indians—the War Office—which I demur to.

(*Sir James Peile.*) They do not specifically do it, but they say that it rests with the authorities here to say who is to be admitted.

17,032. (*Mr. Caine.*) They are not barred by statute, but by regulation?—No; the War Office regulations distinctly exclude them.

17,033. (*Sir James Peile.*) They do not mention natives?—Oh yes, distinctly.

17,034. You think so?—Oh yes; the correspondence states it.

17,035. My recollection was that they reserved the power to say who was eligible?—That is what I wanted to know from them; the Admiralty fenced with me in that respect and would not give me a decided answer, but the War Office regulations are clear; they are given to me there distinctly they must be Europeans or Europeans naturalised; any others are entirely excluded, and then the Admiralty replied that their rules were something like or approximately.

17,036. (*Chairman.*) Would you read the passage in the War Office letter on which you build that conclusion?—Oh yes, I will read it: "I am to acquaint you, in reply, "that candidates for admission in the British Army must "be of pure European descent, and are also required to "be British-born or naturalized British subjects; that is "the regulation."

17,037. (*Sir James Peile.*) I thought that had been altered?—This is the latest I have got.

17,038. (*Mr. Caine.*) That is about a year ago, is it not? What is the date of that letter?—The date of this is the 10th June 1896; they have not given us any further information. The correspondence is carried on up to the present day; there is a reply still standing which they have not yet given. Since that a good deal of correspondence has taken place, but they have never modified that.

17,039. (*Chairman.*) You have referred to Mysore State. Are you able to develop and illustrate the views which you put forward as to government by the native states?—Yes. With regard to the native states I agree with Lord Salisbury when he says: "the general con- "currence of opinion of those who know India best is "that a number of well-governed small native states are "in the highest degree advantageous to the development "of the political and moral condition of the people of "India." And Lord Iddesleigh similarly said: "Our "Indian policy should be founded on a broad basis. "There might be difficulties; but what we had to aim at "was to establish a system of native states which might "maintain themselves in a satisfactory relation." Again, "We should endeavour, as far as possible, to develop the "system of native government to bring out native talent "and statesmanship, and to enlist in the cause of govern- "ment all that was great and good in them." Entertaining these ideas, Lord Iddesleigh practically carried them out in restoring Mysore, on the distinct basis that "at "once offered a guarantee for the good government of "the people and for the security of British rights and "interests," as I have already stated.

17,040–1. What advantages do you think would accrue from this arrangement?—The advantages from this arrangement will be these: The obvious conclusion is that the only natural and satisfactory relations between an alien supremacy and the people of India can be established on this basis alone. There are these obvious advantages in these relations. The British supremacy becomes perfectly secure and founded upon the gratitude and affection of the people, who, though under such supremacy would feel as being under their own rulers, and as being guided and protected by a mighty supreme power. Every state thus formed, from the very nature of its desire for self-preservation, will cling to the supreme power as its best security against disturbance by any other state. The division in a number of states becomes a natural and potent power for good in favour of the stability of the British supremacy. There will be no temptation to any one state to discard that supremacy, while, on the other hand, the supreme Government, having complete control and power over the whole government of each state, will leave no chance for any to go astray. Every instinct of self-interest and self-preservation, of gratitude, of high aspirations, and of all the best parts of human nature, will naturally be on the side and in favour of British supremacy which gave birth to these states. There will be an emulation among them to vie with each other in governing in the best way possible, under the eye and control of the supreme Government on their actions, leaving no chance for mis-government. Each will desire to produce the best administration report every year. In short, this natural system has all the elements of consolidation of British power, of loyalty, and stability, and of prosperity of both countries. The result of this arrangement, in the case of Mysore, has been most satisfactory from all sides. For the result in Mysore, I give a short statement from the Mysore report of 1st October 1895. Of the work of the late Maharaja from 1881 till his death at the end of 1894, it would be enough for me to give a very brief statement from the late address of the Dewan, to the representative assembly held at Mysore on 1st October 1895, on the results of the late Maharaja's administration during nearly 14 years of his reign, as nearly as possible in the Dewan's words. The Maharaja was invested with power on 25th March 1881. Just previous to it, the state had encountered a most disastrous famine, by which a fifth of the population had been swept away, and the state had run into a debt of 80 lakhs of rupees to the British Government. The cash balance had become reduced to a figure insufficient for the ordinary requirements of the administration. Every source of revenue was at its lowest, and the severe retrenchments which followed had left every department of state in an enfeebled condition. Such was the beginning. It began with liabilities exceeding the assets by Rx. 307,500, and with an annual income less than the annual expenditure by Rx. 12,500. Comparing 1880–1 with 1894–5, the annual revenue rose from Rx. 1,030,000 to Rx. 1,805,000. or 75·24 per cent., and after spending on a large and liberal scale on all works and purposes of public utility, the nett assets amounted to over Rx. 1,760,000 in 1894–5, in lieu of the nett liability of Rx. 307,500 with which his Highness's reign began in 1881.

	Rx.
In 1881 the balance of state funds was	240,743
Capital outlay on State railways	251,919
Against a liability to the British Government of	800,000
Leaving a balance of liability of Rx. 307,500.	
On 30th June 1895:—	
Assets:	
(1.) Balance of State funds	1,272,361
(2.) Investment on account of railway loan repayment fund	278,150
(3.) Capital outlay on Mysore-Harihar railways	1,480,330
(4.) Capital outlay on other railway	413,339
(5.) Unexpended portion of capital borrowed for Mysore-Harihar Railway (with British Government)	157,949
	3,602,129
Liabilities: Rx.	
(1.) Local railway loan 200,000	
(2.) English railway loan 1,638,280	
	1,838,280
Net assets	1,763,849
Add other assets:	
Capital outlay on original irrigation works	Rx. 990,893

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Besides the above expenditure from current revenue, there is the subsidy to the British Government of about Rx. 250,000 a year, or a total of about Rx. 3,700,000 in the 15 years from 1880–1 to 1894–5, and the Maharaja's civil list of about Rx. 180,000 during the 15 years also, paid from the current revenue. And all this together with increase of expenditure in every department. Under the circumstances above described, the administration at the start of His Highness's reign was necessarily very highly centralised. The Dewan, or the Executive Administrative Head, had the direct control, without the intervention of departmental heads of all the principal departments, such as the Land Revenue, Forests, Excise, Mining, Police, Education, Mujroyi, Legislative. As the finances improved, and as department after department was put into good working order and showed signs of expansion, separate heads of departments were appointed for Forests and Police in 1885, for Excise in 1889, for Mujroyi in 1891, and for Mining in 1894. His Highness was able to resolve upon the appointment of a separate Land Revenue Commissioner only in the latter part of 1894. Improvements were made in other departments, local and municipal funds, legislation, education, &c. There are no wails which, unfortunately, the Finance Ministers of British India are obliged to raise, year after year, of fall in Exchange, over-burdening taxation, &c. And all the above good results are side by side with an increase of population of 18·34 per cent. in the 10 years from 1881 to 1891, and there is reason to believe that during the last four years the ratio of increase was even higher. During the 14 years the rate of mortality is estimated to have declined 6·7 per mille. But there is still the most important and satisfactory feature to come, viz., that all this financial prosperity was secured not by resort to new taxation in any form or shape. In the very nature of things the present system of administration and management of Indian expenditure in British India cannot ever produce such results, even though a Gladstone undertook the work. Such is the result of good administration in a native state at the very beginning. What splendid prospect is in store for the future if, as heretofore, it is allowed to develop itself to the level of the British system with its own native services, and not bled as poor British India is.

17,042. You had some personal knowledge of Mysore, had you not?—No, of Baroda I have personal knowledge.

17,043. Have you any later information about Mysore?—I have the latest report of Mysore, which is summarised in the "Times" of the 8th December 1896. The "Times," in its article on Indian affairs, confirms by actual facts and events the wisdom and statesmanship of Lords Salisbury and Iddesleigh in their one great work of righteous and wise policy. Fortunately, it is the very Mysore State to which this righteous and wise act was done; therefore, I desire to quote a few words. The "Times" says: "The "account which Sir Sheshadri Iyer rendered to it of his "last year's stewardship is one of increasing revenue, "reduced taxation, expenditure firmly kept in hand, repro- "ductive public works, and a large expansion of cultivation "of mining, and of industrial undertakings. The result is "a surplus which goes to swell the previous accumulations "from the same source." The "Times" article concludes with the words: "A narrative such as Sir Sheshadri Iyer "was able to give to the Representative Assembly of Mysore "makes us realise the growth of capital in the native "states, and opens up new prospects of industrial under- "takings and railway construction in India on a silver "basis." Then he has said about some other native states, but I have not introduced that here. I have got this latest report, if the Commission would allow me to put in a statement out of it, like the one I have already given. I have cited other illustrations of native states in my statements.

17,044. I think it probably would be best if you were to modify by those latest figures the figures which you have already given in your evidence?—I could give the latest figures in continuation of those.

17,045. You are giving us the examples of Mysore?—Yes.

17,046. It is no good giving us two sets of tables in regard to it. Can you not, with this latest report, correct the table you have already given us in evidence?—I could do, but there is this difference, that in the report which I have quoted here he went into the comments on the administration of the 15 years and gave the result up to 1894–5; in this last report, of course, he only goes, in the usual way, into the figures of receipts and expenditure of the year; he does not go again into a report of the administration of the 15 years.

17,047. Do the later figures very much vary from the former?—They are not on those lines; the other figures are simply the results and expenditure in the usual way, a sort of budget.

17,048. We must bear in mind the danger of drowning the Commission in figures. You were giving us an instance of the working of a native state; it is no use giving us two sets of tables in illustration of that. If you are satisfied with the figures you have given us for 1894–5—they appear to me to give the illustration which you desire to give—then I do not think it would be necessary to supplement them with other figures?—All right.

17,049. Would you take Mysore as a type of native states generally?—Yes.

17,050. If I had, for instance, a list of the Native States before me here, and I were to put them to you one by one, would you quote each of them as a model state of the kind like Mysore?—Not every one of them—those that have introduced improvements in the way in which they have been introduced in Mysore—Baroda will be a very good illustration, as far as that goes.

17,051. One used to hear that Oudh was not a model kingdom?—Oudh was not a model kingdom.

17,052. I have heard so. What security is there that such a state of things as occurred in Oudh, or something like it, may not occur in these Native States?—No, for the times are entirely changed, and the control which the British Government has even on the existing native states is now of a different character altogether, and the management or the system of Government is more or less assimilated and brought to the system which exists in British India.

17,053. Then your contention is that repetition of such evils as those which led to the annexation of Oudh must be prevented by the precautions to be taken by the supreme Government; that is, by the Indian Government?—In fact, the later improvements and the way in which the administration is introduced in all Native States.

17,054. Would you quote Hyderabad as a case of model government?—Well, I am not acquainted with the details of the Hyderabad Government, and therefore it would not be right for me to give any opinion upon it. My general impresssion is—and I may be wrong—that the state is not conducted in the way which would produce such results as Mysore has produced. It is more the defect of the administration than the possibility of results as good as the Mysore; but still I qualify it that I may be wrong, because I am speaking only from general impressions about that State.

17,055. In that case, if Hyderabad does not come up to the level of Mysore the supremacy of the British Government is not sufficient to secure in a native state such good results?—If I am right in the impression, I think then it is evident that in that case the supremacy has not been exercised to the best advantage.

17,056. Now, leaving this point, you have put before us the practical remedy which you would recommend; that is to say, you have called our attention to the cost to India of Europeans. Have you any facts or practical figures on that subject which you would like to put before the Commission?—Yes, I leave the important suggestions I have made; I leave that consideration alone, and I come now to matters exactly as they are. First of all, Europeans. Here is Return 192 of 1892 of East India salaries. In the Civil Department the amount of annual salaries, Rs. 1,000 and upwards, is:—

	Rx. 3,874,929
Public Works Department (Civil) - -	909,814
Absentee allowances Civil Department -	175,677
Public Works Department, Civil - -	44,734
Pensions paid in India, Civil:—	
Europeans (Eurasians) - - -	97,323
Public Works Department, Civil:—	
Europeans (Eurasians) - -	23,871
Total in India - - -	Rx. 5,126,348

in England. The amount for civil and military are not separate, which I may request to be supplied.

17,057. Are you suggesting that those figures should be supplied to enable you to give a complete statement of the sum which represents the cost of Europeans in India?—Yes; the two are mixed up, civil and military, only that the amounts might be separated, but I have just the total further on; it does not matter much even if the information is not given, because my illustration stands just the same. Now what I urge is that the European Civil Service is distinctly alleged to be employed mainly for the

maintenance of the British rule. For a practical purpose at present I grant that the service is for the benefit of India also—as for the maintenance of the British rule—and further, I do not press for the very weak capacity of India. I say the least that Britain can do in justice to India is to pay half of the salaries of the Europeans in the Civil Departments. The next figure I want to put is the expenditure on the European army in India, and pensions and other disbursements in England.

Army Europeans.

	Rx.
For the Military Department, Annual Salaries	3,781,844
Public Works (Military) - - -	171,075
Absentee Allowances, Military - - -	234,900
Public Works, Military - - -	7,089
Pensions paid in India:	
Pensions under Civil Regulations:	
Europeans (Eurasians) - - -	8,839
Pensions under Army and Marine Regulations:	
Europeans (Eurasians) - -	101,697
Total—India - -	Rx. 4,305,444

Paid in England—

The amounts, Civil and Army together, are 3,710,678*l.* (including contributed) say at Rs. 15 per £ Rx. 5,566,017.

grand total about 15 millions of Rx., to which is to be added the payments to European soldiers. What I urge is that the British Army is mainly for the maintenance of British rule against internal or external troubles. But for present practical purposes I accept that the Army is for the benefit of India also, as for that of Britain; and I urge, therefore, that, leaving alone even the poverty in India, Britain in fairness to India should share the expenditure, say half and half, for what is a common purpose of equally vital importance to both. The Government of India correctly puts the position: "Millions of money have been spent "on increasing the army in India, on armaments and "fortifications to provide for the security of India, not "against domestic enemies, or to prevent the incursions "of the warlike peoples of the adjoining countries, but to "maintain the supremacy of British power in the East."

17,058. You have heard a good deal of evidence taken on the subject of existing army charges. Would you not think it desirable to criticise what you have heard put before us with regard to the different branches of Army expenditure or have you any remarks or suggestions to make upon the question of apportionment as it has been before us?—Apart from the important considerations to which I have already referred, and taking the question as it exists now, I consider, as far as I can judge at present, that the Government of India has made out a fair case. I have heard the other side of the War Office and the Admiralty, and this I shall fairly consider and give my opinion on in the preparation of the Report.

17,059. Therefore, so far, in offering your evidence you do not wish to make any remarks upon those important questions?—No; I do not see the necessity of it, because the question has been very fairly and largely discussed, and the Government of India has put the case very fairly, as far as I could see it.

17,060. On that point you associate yourself with the Government of India?—Yes; I am quite satisfied with the fairness with which they have urged the question.

17,061. And you do not wish to go beyond them?—No, I do not wish to go beyond them.

17,062. Then do you wish to offer any remarks in connexion with the Navy?—Yes, with regard to the Navy, it is of absolute necessity to England whether there was rule in India or not. With regard to the absolute necessity to the United Kingdom itself for its own safety, of the whole Navy as it exists and is intended to be increased, there is but general opinion, without any distinction of parties. It will be easy to quote expressions from many prominent politicians. It is, in fact, the great subject of the day for which there is almost unanimity. I would content myself, however, with a few words of the highest authority in the realm under the Sovereign, the Prime Minister, and also of the Chancellor of the Exchequer. Lord Salisbury said in his Brighton speech, I have not quoted the whole words, but just such words as apply here:

"But dealing with such money as you possess . . . that the first claim is the naval defence of England. I am glad that you welcome that sentiment. . . . . It is our business to be quite sure of the safety of this island home of ours whose inaccessibility is the source of our greatness, that no improvement of foreign fleets, and no combination of foreign alliances, should be able for a moment to threaten our safety at home. . . . . We must make ourselves safe at sea whatever happens. . . . . But after all, safety, safety from a foreign foe, comes first before every other earthly blessing, and we must take care in our responsibility to the many interests that depend upon us, in our responsibility to the generations that are to succeed us, we must take care that no neglect of ours shall suffer that safety to be compromised."

Sir M. Hicks-Beach, the Chancellor of the Exchequer, so late as 28th January last (the "Times," 29th January 1896), said emphatically, and in a fighting mood: "We "must be prepared. We must never lose the supremacy "of the sea. Other nations had not got it and could "afford to do without it, but supremacy of the sea was "vital to our very existence."

The Irish Financial Relations Report at page 23, says:

"Sir Edward Hamilton has stated in his evidence that he did not believe that if Ireland ceased to exist, Great Britain's expenditure on the Army and Navy could be reduced (Ans. 8741–2). The enormous outlay on the Navy has become necessary in consequence of Great Britain's position as the first commercial power in the world, on account of her enormous trade with every part of the globe, and on account of the dependence of her inhabitants for subsistence on supplies from abroad, and on having a safe ocean communication."

Notwithstanding that such is the absolute necessity of England to have even more than its present Navy as a world-wide power, I am willing to allow that a fair share should be paid by India, for the vessels that are kept in the Indian waters, and which have been under consideration by the Commission. Well, that I have said in the question of partnership, and therefore I will not add here, that whatever is asked from us to contribute, to that extent we should have a share in the benefits of that service. It comes, in fact, next immediately—about partnership.

17,063. Considering the partnership between England and India, should not India take some share in all such charges as are required for imperial common interests?—Yes. About the partnership between England and India, as it becomes an element in all questions of the relations between the two countries. The Indians are repeatedly told, and in this Commission several times, that Indians are partners in the British Empire and must share the burdens of the Empire. Then I propose a simple test. For instance, supposing that the expenditure of the total Navy of the Empire is, say, 20,000,000*l.*, and as partners in the Empire you ask British India to pay 10,000,000*l.*, more or less, British India, as partner, would be ready to pay, and, therefore, as partner, must have her share in the employment of British Indians, and in every other benefit of the service to the extent of her contribution. Take the Army. Suppose the expenditure of the total Army of the Empire, is, say, 40,000,000*l.* Now, you may ask 20,000,000*l.* or more or less to be contributed by British India. Then, as partners, India must claim, and must have, every employment and benefit of that service to the extent of her contribution. If, on the other hand, you force the helpless and voiceless British India to pay, but not to receive a return to the extent of the payment, then your treatment is the unrighteous treatment of the slave-master over British India as a slave. In short, if British India is to be treated as a partner in the Empire it must follow that to whatever extent (be it a farthing or a hundred millions) British India contributes to the expense of any department, to that extent the British Indians must have a share in the services and benefits of that department, whether civil, military, naval, or any other; then only will British India be the "integral part" of, or partner in, the Empire.

17,064. Have you any considerations to lay before the Commission on the subject of frontier expenditure?—Yes; according to the table of, and comment on, the expenditure on the frontier wars from Colonel Hanna's book. This expenditure, which is entirely Imperial—for the maintenance of British rule against Russian invasion—is, say, roundly, about Rx. 80,000,000 or more, out of which 5,000,000*l.* have been paid by England. I am not at all discussing the policy of these wars. All I simply say is that these frontier wars are avowedly for Imperial purposes, that both England and India must be considered as benefited by it, and the least that should be done in justice in India is to halve the expenditure, if not in the proportion of the capacity of India as compared with that of England.

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I have here the highest declarations of the Imperial character of these wars. If the Commission would allow, I shall read them.

On 11th February 1880, Mr. Fawcett moved the following amendment to the Address in reply to the Queen's Speech (Hansard, Vol. 250, p. 453):

"But humbly desire to express our regret that in view of the declarations that have been made by your Majesty's ministers that the war in Afghanistan was undertaken for Imperial purposes, no assurance has been given that the cost incurred in consequence of the renewal of hostilities in that country will not be wholly defrayed out of the revenues of India."

Mr. Fawcett then said (Hansard, Vol. 250, p. 454):

"And, fourthly, the most important question, as far as he was able to judge, of who was to pay the expenses of the war . . . . It seemed to be quite clear that the expenses of the war should not be borne by India, and he wished to explain that so far as India was concerned this was not to be regarded as a matter of generosity, but of justice and legality. . . . . The matter must be decided on grounds of strict justice and legality. . . . . (p. 457): It was a remarkable thing that every speech made in that House, or out of it, by ministers or their supporters on the subject, showed that the war was a great Imperial enterprise, those who opposed the war having always been taunted as being "parochial" politicians who could not appreciate the magnitude and importance of great Imperial enterprise. . . . . (p. 458): He would refer to the speeches of the Viceroy of India, the Prime Minister, and the Secretary of State for Foreign Affairs upon the subject. . . . . In December 1878, the noble earl* warned the peers that they must extend their range of vision, and told them that they were not to suppose that this was a war which simply concerned some small cantonments at Dakka and Jellalabad, but one undertaken to maintain the influence and character not of India, but of England in Europe. Now were they going to make India pay the entire bill for maintaining the influence and character of England in Europe. . . . . His lordship† treated the war as indissolubly connected with the Eastern question. . . . . Therefore, it seemed to him (Mr. Fawcett), that it was absolutely impossible for the Government, unless they were prepared to cast to the winds their declarations, to come down to the House and regard the war as an Indian one. . . . . All he desired was a declaration of principle, and he would be perfectly satisfied if someone representing the Government would get up and say that they had always considered this war as an Imperial one, for the expenses of which England and India were jointly liable."

Afterwards Mr. Fawcett said (p. 477):

"He was entirely satisfied with the assurance which had been given on the part of the Government that the House should have an opportunity of discussing the question before the Budget was introduced; and would, therefore, beg leave to withdraw his amendment."

In the House of Lords, Lord Beaconsfield emphasised the objects to be for British Imperial purposes (25th February 1880, Hansard, Vol. 250, p. 1,094):

"That the real question at issue was whether England should possess the gates of her own great empire in India. . . . . We resolved that the time had come when this country should acquire the complete command and possession of the gates of the Indian Empire. Let me at least believe that the peers of England are still determined to uphold not only the Empire, but the honour of this country."

So it is clear that the object of all the frontier wars, large or small, was that "*England* should possess the gates "of *her own* great Empire," that "*this country* should "acquire the complete command and possession of the "gates of the Indian Empire," and uphold not only the Empire, but also "the honour of this country." Can anything be more clear than the Imperial character of the frontier wars?

Mr. Fawcett, again, on 12th March 1880, moved (Hansard, Vol. 251, p. 922):

"That in view of the declarations which have been officially made that the Afghan war was undertaken in the joint interests of England and India, this house is of opinion that it is unjust to defray out of the revenues of India the whole of the expenditure incurred in the renewal of hostilites with Afghanistan."

Speaking to this motion, Mr. Fawcett, after referring to the past declarations of the Prime Minister, the Secretary of State for Foreign Affairs, the Chancellor of the Exchequer, quoted from the speech of the Viceroy soon after his arrival (p. 923):

"I came to India, and just before leaving England for India I had frequent interviews with Lord Salisbury, the then Indian Secretary, and I came out specially instructed to treat the Indian frontier question as an indivisible part of a great Imperial question mainly depending for its solution upon the general policy of Her Majesty's Government. . . . ."

And further on Mr. Fawcett said (p. 926):

"What was our policy towards self-governed colonies, and towards India, not self-governed? In the self-governed colony of the Cape we had a war, for which we were not responsible. Who was to pay for it? It would cost the English people something like 5,000,000*l.* In India there was a war, for which the Indian people were not responsible—a war which grew out of our own policy and actions in Europe—and we are going to make the Indian people, who were not self-governed and were not represented, pay every sixpence of the cost."

And so, Lord Salisbury, as Secretary of State for India, and the Viceroy, had cleared up the whole position: "To "treat the Indian frontier question as an indivisible part "of a great Imperial question, mainly depending for its "solution upon the general policy of Her Majesty's "Government," and the Indian people having no voice or choice in it.

Mr. Gladstone, following Mr. Fawcett, said (p. 930):—

"It appears to me that, to make such a statement as that, the judgment of the Viceroy is a sufficient expression of that of the people of India, is an expression of paradox really surprising, and such as is rarely heard among us . . . . (p. 932): In my opinion, my hon. friend the member for Hackney has made good his case. . . . Still, I think it fair and right to say that, in my opinion, my hon. friend the member for Hackney has completely made good his case. His case, as I understand it, has not received one shred of answer. . . . . (p. 933): In the speech of the Prime Minister, the speech of Lord Salisbury, and the speech of the Viceroy of India, and, I think my hon. friend said, in a speech by the Chancellor of the Exchequer, this Afghan war has been distinctively recognised as partaking of the character of an Imperial war. . . . . But I think not merely a small sum like that, but what my right hon. friend the Chancellor of the Exchequer would call a solid and substantial sum, ought to be borne by this country, at the very least . . . . . (p. 935): As regards the substance of the motion, I cordially embrace the doctrine of my hon. friend the member for Hackney. There is not a constituency in the country before which I would not be prepared to stand, if it were the poorest and most distressed in the land, if it were composed of a body of men to all of whom every addition of a farthing for taxes was a sensible burden, and before them I would be glad to stand and plead that, when we have made in India a war which our own Government have described as in part an Imperial war, we ought not for a moment to shrink from the responsibility of assuming at least a portion of the cost of that war, in correspondence with that declaration, instead of making use of the law and argument of force, which is the only law and the only argument which we possess or apply to place the whole of this burden on the shoulders of the people of India."

The upshot of the whole was that England contributed 5,000,000*l.* out of 21,000,000*l.* spent on this war, when one would have naturally expected a "far more solid and substantial" sum from rich England, whose interest was double, both Imperial and European. But the extent of that contribution is not the present question with me. It is the principle that "the Indian frontier question is one "indivisible part of a great Imperial question, mainly "depending for its solution upon the general policy of "Her Majesty's Government," and that, therefore, a fair apportionment must be made of all the charge or cost of all frontier wars, according to the extent of the interest and of the means of each country.

Coming down to later times, the action of Mr. Gladstone on 27th April 1885, to come to the House of Commons to ask for 11,000,000*l.* and the House accepting his proposal, and on the occasion of the Penjdeh incident, is again a most significant proof of the Imperial character of these frontier wars. He said (Hansard, Vol. 297, p. 859):—

"I have heard with great satisfaction the assurance of hon. gentlemen opposite that they are disposed to forward in every way the grant of funds to us to be used as we best think for the maintenance of what I have upon former occasions described as a National and Imperial policy. Certainly, an adequate sense of our obligations to our Indian Empire has never yet been claimed by any party in this country as its exclusive inheritance. In my opinion

* The Prime Minister.
† The Marquess of Salisbury.

he will be guilty of a moral offence and gross political folly who should endeavour to claim on behalf of his own party any superiority in that respect over those to whom he is habitually opposed. It is an Imperial policy in which we are engaged."

17,065. You lay great stress on the high authorities you quote, do you not, throughout your evidence?—Yes.

17,066. May I ask you, would you lay equal stress if I placed before you the same high authorities speaking in the other direction?—I lay stress upon high authorities in all matters which I have so thoroughly studied, and in which I agree with them. Of course, each authority has different opinions upon different subjects.

17,067. But if the same high authorities on another occasion spoke in a different sense would you lay equal stress upon them?—On the same subject.

17,068. On the same subject?—Well, I should be glad to see them.

17,069. (*Mr. Caine.*) You quote these high authorities in support of your own position?—In support of my own views.

17,070. And strengthen your own views based on personal experience?—What I consider to be the right thing, of course.

17,071. (*Chairman.*) There is this to be said, where great reliance is placed on the expression of opinon of a high authority, in all probability an equally high authority can be produced on the other side?—As Mr. Caine said, I produce authorities which are in support of my opinion.

17,071*a*. I am only pointing out that high authorities may be found on both sides; we should bear that in mind before we place absolute reliance upon what is said in political discussion?—Yes.

17,072. You are aware that there has been much discussion about the employment of the Indian Army outside of India; have you any remarks to make upon what has occurred before the Commission upon that head?—Yes. This can be answered in two ways. If the test I have just proposed of dividing the whole Imperial expenditure, and each deriving the benefit of the services in proportion to the contribution, then the whole Army and Navy becomes altogether Imperial, and may be used in any part of the world at common additional expenditure. Secondly, apart from such Imperial partnership, whenever Indian forces are taken outside Indian limits, the expenses must be paid in full by the British Exchequer except when the interests are distinctly common, like that of the frontier wars as a protection for both against Russian invasion. In such case as I have already stated, expenses may be divided in some fair way, giving some consideration to the capacity of both. On the other hand, such wars as that of Abyssinia, and for the benefit of Egypt or the Cape Colony, no expenditure should be placed, ordinary or extraordinary, upon the Indian revenues. The only case which can come at all, outside of India, within the purview of common purposes like the North-Western Frontier wars, is when the Suez Canal is actually threatened and has to be defended. Then, like common purpose, both India and Britain can make a fair share with some consideration for the poorer party. Aden should be considered as for Imperial purposes, and be divided in a similar way. With all other diplomatic or other expenses of Britain, India has no connexion or interest, and should not be made to contribute. Now, sometimes this question of interest may not be so very obvious, and, in any such difference, some fair tribunal should be resorted to to decide the difference. This question of tribunal has been already discussed in evidence, and I trust the Commission may be able to see their way to recommend some.

Mr. Dadabhai Naoroji.

25 Mar. 1897.

(*Chairman.*) That, I think, completes your evidence, thank you, Mr. Naoroji.

17,073. (*Mr. Caine.*) Just one question on what you have said. You say that India and Britain should take a fair share when the Suez Canal is actually threatened and has to be defended. Do you not think that Australia and New Zealand, the Straits Colonies, and Hong Kong and Ceylon, ought also to take a fair share?—Surely they ought to.

17,074. You do not discriminate between India and the other dependencies interested in the Suez Canal?—They are as much interested in the Suez Canal as India is.

(Adjourned till Monday, 5th April.)

At the India Office, S.W.

FORTY-FIRST DAY.

Monday, 5th April 1897.

PRESENT:

THE LORD WELBY, G.C.B. (CHAIRMAN, PRESIDING).

The Right Hon. LEONARD COURTNEY, M.P.
Sir WILLIAM WEDDERBURN, Bart., M.P.
Field-Marshal Sir DONALD STEWART, Bart., G.C.B., G.C.S.I.
Sir JAMES PEILE, K.C.S.I.
Sir ANDREW SCOBLE, K.C.S.I., Q.C., M.P.
Mr. G. L. RYDER, C.B.
Mr. T. R. BUCHANAN, M.P.
Mr. DADABHAI NAOROJI.
Mr. R. G. C. MOWBRAY.

Mr. COLIN G. CAMPBELL, *Secretary.*

Mr. DINSHAW EDULJI WACHA called in and examined.

Mr. Dinshaw Edulji Wacha.

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17,075. (*Chairman.*) You appear before the Commission, do you not, as the representative of the Bombay Presidency Association?—Yes. I represent the Bombay Presidency Association, of which I am one of the honorary secretaries since the date of its establishment in 1885, say 12 years.

17,076. What is the object of the Association?—The Association is established for the advocacy and promotion of the public interests of India by all legitimate and constitutional methods, for the due fulfilment of which Rule 2 prescribes that it "shall, whenever necessary or expedient, hold "meetings, which may be made open to the public, for the "discussion of public affairs, prepare and submit memorials "or petitions to the Provincial or Imperial Governments "or the British Parliament in England or other authorities "for the removal and prevention of injurious measures, "and the introduction of others which may be calculated "to promote the general interests of this country, and "otherwise to take such action as may be considered "conducive to the accomplishment of the purposes in "view."

17,077. What are you besides being the honorary secretary of the Bombay Presidency Association?—I am, besides being the honorary secretary of the Bombay Presidency Association, honorary joint general secretary of the Indian

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National Congress, and a member of the Bombay Municipal Corporation. I am also managing agent of a large and flourishing cotton mill, and a member of the managing committee of the Bombay Mill Owners' Association. For many years past I have employed my leisure hours in the study and discussion of public affairs, especially on finance and economic subjects, and have regularly contributed to the local press many articles on these subjects. I have also taken, and am still taking, an active part in the many public movements in the city. At the annual sittings of the Indian National Congress I have made speeches on military expenditure from time to time; as well as on such topics as cotton duties, income tax, exchange compensation, and so forth. Similarly, I have taken active part as secretary of the Bombay Provincial Conference which annually meets in some prominent town of the Presidency, and have addressed delegates as such on the expanded Legislative Councils, on the way in which provincial budgets are discussed thereat, and on other matters, including the administration of the drink traffic. On the latter question, to which I have devoted close attention, I wrote a series of articles in the "Bombay Gazette," which I afterwards reprinted in pamphlet form, copies of which were forwarded to the Bombay Government, the Government of India, and the Secretary of State. In my honorary capacity as secretary of the Bombay branch of the Anglo-Indian Temperance Association, I memorialised the Government, pointing out the evils of their farming system, and criticised, as secretary of the Presidency Association, the Mowra Bill, which the entire Presidency condemned. I also issued a pamphlet on the burning question of agricultural distress, and the impoverished condition of the Indian peasantry, chiefly basing my criticism on the official facts embodied in the report on the condition of the people, which was published on the eve of Lord Dufferin's departure. I have taken an active part at meetings of the Bombay millowners, and have spoken on questions affecting the cotton industry. Last year I contributed to the "Times of India" a series of letters on the growth of the revenue and expenditure of the Bombay Municipality, and I have been continually contributing articles to the press on Imperial and provincial finance. I was elected President of the Provincial Conference held at Belgaum in 1895, where I broadly surveyed, in my inaugural address, the financial condition of India. At the last sittings of the Indian National Congress, held in December 1896, the following resolution was passed. "That this Congress "desires to place on record its sense of satisfaction at the "delegation by the Bombay Presidency Association of "Mr. Dinshaw Edulji Wacha, joint general secretary of "the Congress, to give evidence before the Royal Com-"mission on Expenditure, and the Congress has full "confidence that Mr. Wacha will give accurate and "adequate expression to its views on the questions which "form the subject of inquiry."

17,078. The Commission is glad to have before it a representative of Indian and independent opinion?—I feel much obliged for the consideration on the part of the Commission.

17,079. You have had the opportunity of reading the evidence which has been tendered to the Commission?—Yes.

17,080. Perhaps you will give us your view generally on the subjects on which the Commission is instructed to report; and in the first place I would ask you how you would wish to divide your evidence?—Following the procedure adopted by the Commission, I have divided my evidence into three parts—the financial machinery, progress of expenditure, and apportionment of charge.

17,081. I will first of all invite your observations upon the financial machinery of India?—It is, no doubt, highly essential for the economic administration of the Empire that its finances should be closely looked into and steadily watched, especially in India, where the people have no direct voice in checking or controlling it; and, where, besides, they are governed by a foreign agency which more or less is not in touch with popular sentiments and popular wants and requirements. Again, bearing in mind that the people are poor on the whole, the progress of enhanced and new taxation needs serious consideration, as such taxation can only be compatible with their ability. As a matter of fact for years past, at any rate since 1875, expenditure is growing at a rapid pace and demands the strictest control and check. The Finance Minister may endeavour to do his best, but so long as the financial machinery is imperfect, and so long as he finds himself with insufficient support from the Viceroy and other colleagues in the Viceregal Council, he cannot do much. He may endeavour to discharge his duty very much like "a sort of watchdog on behalf of the taxpayers" (that is an expression of your lordship's), but so long as the voice of the taxpayers themselves is not heard for good in the Council, it is not possible to keep that rigid control which checks all extravagant or doubtful expenditure. At present a certain line of policy may be followed by a Viceroy or the Secretary of State which may entail on the taxpayers heavy permanent burdens. For instance, the so-called "forward" policy, steadily pursued since the days of the unrighteous second Afghan War (save during the beneficent administration of Lord Ripon), has been principally the cause of heavy military expenditure necessitating taxation. The expenditure since the date of the Penjdeh scare has been mounting higher and higher. Upper Burmah was annexed to the Indian Empire, notwithstanding the fact that the Indian community generally protested against such annexation to India and suggested its being made a Crown Colony like Ceylon. The first Indian National Congress, held in Bombay in December 1885, protested against the annexation. I agree generally with what Sir David Barbour and Sir Auckland Colvin have said regarding the weak spots in the financial machinery of the Government, and we Indians are thankful for their expression of opinion. (Questions, Sir D. Barbour, 1854 to 1890, Sir A. Colvin, 2879 to 2894). But what I beg to urge is this: that however economic in his tendencies a Finance Minister may be, or even a Viceroy, so long as those who pay the taxes have no effective voice in the councils of the Empire, the control of expenditure, within due limits and with a regard to the capacity of the taxpayers, no financial retrenchment can be hoped for. For example, Indian public opinion believes that the present Finance Member, Sir J. Westland, has not shown so much zeal in checking expenditure as his three immediate predecessors.

17,082. (*Sir William Wedderburn.*) In your experience Sir James Westland has not shown himself so active a watchdog as perhaps former Finance Members?—No.

17,083. I think he has rather shown an inclination to bark at the taxpayers and their representatives rather than at the taxspenders?—Yes.

17,084. Is that your experience?—Yes.

17,085. Are you aware of any check which can prevent a complaisant Finance Member being appointed to the Government of India, that is, which will ensure a useful watchdog being appointed?—No.

(*Sir William Wedderburn.*) I just wished to clear up that point.

17,086. (*Chairman.*) You say that the Indian taxpayer has no effective voice in the Legislative Council. May we understand you to confine your criticism of the financial machinery to that point?—Yes.

17,087. I think that, before making that statement, you also said that the financial machinery is imperfect—have you any points in the finance machinery, besides this question of the voice of the Indian taxpayer, to which you would point as imperfect?—All those points have already been put before the Commission by other witnesses, like Sir Auckland Colvin and Sir David Barbour.

17,088. You follow Sir David Barbour?—Yes, and Sir Auckland Colvin.

17,089. You take their criticisms and adopt them?—Yes.

17,090. And these are all the criticisms which you are desirous of offering upon the details of financial administration?—Yes.

17,091. Do you think that the privilege of discussion on the budget in the Imperial and Provincial Legislative Councils tends to keep a check upon public expenditure?—It is true that in the expanded Legislative Councils, both Provincial and Imperial, there are a few non-official members who are indirectly elected as the representatives of the people. Their presence in the Council is most valuable. They are mostly leading public men who have devoted much attention to financial matters, and are in a position to represent the taxpayers' point of view; but, after all, their criticism cannot be considered effective so long as they are debarred from bringing motions for the curtailment of expenditure in a budget and dividing the Council thereon. There is a consensus of opinion on the subject among Indians that this privilege should be conceded and is absolutely needed. The Congress has more than once passed resolutions on the matter; but, unfortunately, like, many other resolutions of the Congress, which are regularly forwarded for consideration to the Imperial Government, they are unheeded.

17,092. (*Sir William Wedderburn.*) I think you mentioned that the Government were not in touch with the people?—Yes.

17,093. Would it not be a great satisfaction to the people if the Government carefully noticed and replied to formal representations of Associations like the National Congress and the Bombay Presidency Association?—Yes.

17,094. Is it not the case that Lord Elgin has recently rather restricted than encouraged the formal statement of grievances by local bodies?—Yes.

17,095. He requires, I think, that addresses should be revised by him, before they are presented to him?—Yes.

17,096. Has that given dissatisfaction to the country?—Yes.

17,097. And it has shut off one of the most useful means for the Government getting in touch with the responsible representatives of the people?—It is so.

17,098. (*Mr. Courtney.*) How has he required that revision of addresses?—Local bodies, in different places that a Viceroy visits, are supposed to present him with an address of welcome, and in doing so, generally, the custom has been to point out the legitimate grievances. A draft is previously sent through the Collector, or whoever the supreme authority in the particular place may be, to the Viceroy; the Viceroy sees the draft, and, if he thinks that certain matters should not be put in the address, he asks the Association to delete them from it.

17,099. Is that a new procedure on the part of Lord Elgin?—Yes.

17,100. (*Sir Donald Stewart.*) I think you are mistaken there?—As far as my knowledge goes only two years ago, when Lord Elgin came to Poonah, the address of the Poonah Sarvajanik Sabha was treated in that way; and I read in the newspapers from Madras that the Madras address was dealt with partly in the same way—that is, returned to be revised.

17,101. (*Mr. Courtney.*) Let us proceed by steps. In the case of former Viceroys, have drafts been submitted to the Viceroy, before petitions or addresses have been presented?—So far as my knowledge goes, they are generally sent beforehand to the Viceroy.

17,102. And so that is an old practice?—That is an old practice.

17,103. And you say that Lord Elgin has for the first time referred back those addresses, saying that certain portions ought to be cut out?—Yes.

17,104. That is a novelty?—Yes.

17,105. Can you tell what were the portions he desired to be cut out?—I cannot say at once; I do not remember them; but it is a fact that certain portions were asked to be deleted.

17,106. You do not know the character of them, I suppose?—I can only refer to the papers, but I have not these with me just now.

17,107. (*Sir William Wedderburn.*) They were statements of grievances?—Yes, statements of grievances.

17,108. (*Mr. Courtney.*) I suppose the intention in submitting drafts to former Viceroys was to ascertain whether they were in a form in which they could be received?—The Associations generally present their addresses in exactly the same form as they did to Lord Elgin.

17,109. Yes, but the drafts were sent beforehand, in order to be sure that they were in a form to be received?—I cannot answer that.

17,110. What was the motive for sending them in beforehand?—That is the practice; that is all I know.

17,111. But every practice has some reason at the base of it?—It is not for me to say what motive there is.

17,112. You complain of an alteration of procedure, and you must have in your own mind some theory of the meaning of the procedure?—I can only consider it in this way, that the addresses are sent, so that the Viceroy may reply to them.

17,113. The drafts are sent beforehand?—Yes, the drafts are sent beforehand.

17,114. What was the purpose of sending them on?—As I say, it must be for the reason that the Viceroy may be prepared to give a reply when the address is presented.

17,115. (*Sir William Wedderburn.*) And also, I presume, to see that they are in a proper respectful form?—Yes, certainly.

17,116. But the objection of Indian opinion is, not to any revision of the form or to ensuring its being respectfully expressed, but to the novel practice of checking the statement of grievances?—Just so.

17,117. And the former practice was only to revise the form of expression; that I understand to be the case?—Yes.

17,118. (*Mr. Courtney.*) I asked you, and I repeat my question, can you tell exactly what was objected to?—At the present moment I cannot answer that question.

17,119. It may have been the form?—No.

17,120. You cannot tell what it was?—This much I can say that it was in reference to certain subject matter, and not to the form.

17,121. What was the nature of the subject matter?—Some grievances; the local grievances to which they referred.

17,122. (*Chairman.*) Lord Elgin objected to receive a statement of local grievances?—In the way in which it was put by the Sabha.

17,123. You stated it as if Lord Elgin had introduced an innovation?—Yes.

17,124. Do you mean by that that he made an innovation by any minute or document which introduced formally a new system presentation of addresses?—I have no knowledge of it.

17,125. Then may I ask on what ground you speak of this as a departure from old practice; do you base it simply on the case that an address was objected to on the ground of its representing certain local grievances?—Yes.

17,126. You are hardly able to point out, I gather from what you have said to Mr. Courtney, the exact difference in Lord Elgin's practice from previous practice; you do not know of any minute or order of Lord Elgin which varies from previous practice. I would ask you, are you assured that previous Viceroys have not exercised the same power in any case?—So far as it has come to the notice of the public, they have not.

17,127. (*Sir William Wedderburn.*) Mr. Gokhale may be able to speak to the Poonah case, because he is a Poonah gentleman?—Yes.

17,128. (*Mr. Buchanan.*) But did Lord Elgin refuse to receive this address?—Yes.

17,129. (*Chairman.*) And not on the ground of form?—No.

17,130. But on the ground of its alluding to grievances which he did not think fit to receive?—Yes.

17,131. (*Mr. Buchanan.*) On what ground did he decline to receive the address?—The same ground, that there were some local grievances, as his Lordship has just rightly interpreted, which, perhaps, he did not wish to have presented to him.

17,132. On the ground that he was not the person to appeal to—that they should be submitted to the local authority?—I cannot say that; I cannot say what was in his Lordship's mind. This much is a public fact, that the address was not received because it contained certain grievances which his Lordship did not wish to remain in the address when it was presented.

17,133. (*Chairman.*) And your complaint is that Lord Elgin by this act, unlike his predecessors, practically limited the right of statement of grievances?—Yes.

17,134. (*Mr. Courtney.*) Cannot you tell us what the grievance was?—I will once more repeat, that I do not remember it; and, as Sir William Wedderburn has just put me the question, the Poonah gentleman will be better able to explain it to you.

17,135. (*Mr. Mowbray.*) Was the address declined altogether, or was it modified and then afterwards received?—The address in the first instance was sent back to be modified.

17,136. And then, when modified, was it received by the Viceroy?—I do not remember.

17,137. (*Mr. Buchanan.*) Are you prepared to state that no address which it has been proposed to present to a Viceroy on a former occasion, has ever been sent back to be modified?—So far as my knowledge goes, it has not.

17,138. (*Chairman.*) Perhaps you will explain somewhat further your object in advocating for the Legislative Council the power of moving amendments to the budget?—Yes. What practical good such a privilege, if conceded, to the popular representatives of the various Legislative Councils may do, may be judged from the exceedingly able

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way in which the Honourable Mr. P. M. Mehta, President, Bombay Presidency Association, acquitted himself in the Viceregal Legislative Council two years ago. All India to a man was gratified at the criticism he brought to bear upon the finances, and the way in which he denounced the iniquitous exchange compensation allowance. But, of course, such criticism is distasteful to the official members, and, when there is a Finance Minister like the present one, he resents it, as he resented Mr. P. M. Mehta's speech. It is felt that if leading corporations at Bombay, Calcutta, and Madras, and the various local and district boards are allowed to discuss and vote their respective budgets, there could be no reason for withholding the same privilege, which is still more needed for budgets in the Imperial and Provincial Legislative Councils. The Bombay Municipal Corporation has been more than once praised by the Government of India and the Secretary of State for its successful management of its civic finance. I, myself, as one of the representatives of the ratepayers, have brought forward motions from time to time for reduction of unnecessary expenditure, or expenditure of doubtful utility. And, on the whole, the effect of such division has been of a wholesome character, and calculated to keep a good check and control over the spending departments.

17,139. I gather from what you say as to the speech of Mr. Mehta that, at all events at present, there is room for useful financial criticism upon the proposals of the Government?—Yes.

17,140. But you think that that is not sufficient?—The discussion?

17,141. The discussion?—Yes.

17,142-3. (*Mr. Mowbray.*) Did I understand that in the Provincial Legislative Councils amendments can be moved to the provincial budgets?—No.

17,144. (*Chairman.*) But in the Municipal Corporations amendments can be moved, can they not?—Yes.

17,145. (*Sir William Wedderburn.*) And they deal with very large sums indeed?—Yes.

17,146. (*Chairman.*) Objections have been urged against giving the Legislative Council the power of which you speak?—Yes.

17,147. What have you to say upon that?—It has been alleged that such concessions might sometimes defeat Government, which is not desirable. This allegation carries its own refutation. For, as a matter of fact, under the standing rules the Government has always an official majority, and if such a thing happened as the defeat of Government, why, it would show that there was an overwhelming case made out by the non-official members to lead to such a division. My suggestion, therefore, under this head of financial machinery is that the rules should be so altered as to allow members to bring motions at budget time and divide the Council thereon. We strongly advocate the proposal of Sir W. Wedderburn for the appointment each year of a Select Committee on East Indian Accounts to report to the House of Commons regarding the financial position of India. Such a Select Committee would find in the amendments voted in the Leglislative Councils valuable materials for consideration. The non-official members of Legislative Councils would thus be stimulated to careful criticisms of Indian finance.

17,148. You say that the rules should be so altered as to allow members to bring forward motions on the budget and divide the Council thereon. Do you mean by that that they should be allowed to move amendments on the items of the budget?—Yes.

17,149. Or that they should make general motions, on which they might take a division at the time of the discussion on the budget?—No; that they might move amendments on each item of the budget, which they think might be fairly reduced.

17,150. Have you any further suggestions to make in connection with the budgets?—Yes; it is also very desirable, in connection with the budget in the Viceregal Council, that its members as well as a few outside public bodies, like Chambers of Commerce and recognised Associations, should be supplied with copies of the civil and military estimates which contain details of the revenue and expenditure of each Province, before the budget is brought forward At present they are not accessible to the members or to such bodies. The civil estimates are only made available a year after the budget to which they refer has passed, when all practical interest in them has died out. The military estimates, so far as my knowledge goes, are never made available. This is a great drawback. The public criticise the budget in darkness. A great deal of ill-informed or ignorant criticism would be avoided, while bodies like my Association would be in a better position to make suggestions, or offer criticisms, if such copies were previously supplied. I may say that the Bombay Legislative Council does furnish such a detailed statement to its members, which greatly helps them to debate the budget.

17,151. Let me understand that more fully, please. Am I right in following you that the estimates on civil and military expenditure are not available to the public for a long time after the commencement of the year to which they apply?—Yes.

17,152. They are circulated, I suppose, before the budget discussion comes on, to members of the Legislative Council, are they not?—So far as I learn from the non-official members, they are not.

17,153. But at the close of a year, or at the close of a certain period, those estimates are published?—They are advertised in the official gazette as being available, and the public buy them.

17,154. But that is only a long time after the commencement of the year to which they apply?—Yes.

17,155. And you would urge that their publication should take place previous to the introduction of the budget?—Yes.

17,156. (*Sir William Wedderburn.*) I think you have a general complaint that it is difficult to get information from the Government?—Yes.

17,157. Is that the case?—Yes; the details.

17,158. And it would lead to much better feeling and to more well-informed criticism, if the Government were willing to meet public bodies in a conciliatory way and furnish them readily with the information they ask for?—Yes.

17,159. You do not wish to make ignorant criticism but well-informed criticism?—Certainly.

17,160. (*Sir James Peile.*) But, when you speak of the estimates not being before the public, you are not referring to the statement which is issued by the Finance Member and published in the papers, which gives the accounts of three years?—No.

17,161. The closed accounts of the past year, the revised estimates of the current year, and the budget estimates of the coming year?—I refer to the civil estimates, on which the financial statement or the budget for the new year is prepared.

17,162. You mean the detailed figured statement?—Yes; the detailed statement of all the provinces, which is bound in one volume.

17,163. The general effect of the whole of what we call the estimates for three years is put before the public at the time the budget is brought forward in the Council?—Those are mere general statements. The details of each Province, with all the sub-heads which appear in the finance accounts, are not before the councillors at the time of the budget. As I say, in Bombay they are; the whole details of the estimates are before them, and they are in a better position when the budget is discussed to offer intelligent criticism.

17,164. (*Mr. Mowbray.*) How long before the discussion are they submitted in Bombay?—Fully a fortnight before the budget comes on for discussion.

17,165. (*Chairman.*) Sir William Wedderburn has asked you whether there is not a complaint that information is not very readily furnished. Passing for the moment by the question of the estimates, are not full accounts of past expenditure published, which are available to Associations like your own and to local authorities?—The Finance and Revenue accounts are published, but of course they come very late.

17,166. Of course they must come after the close of the year?—Yes; they must come after the close of the year.

17,167. But, when you speak of information not being readily furnished, do not those accounts give you in detail the expenditure of the Government of India, and so give you that information which is necessary for effective criticism?—They do in certain cases; but I may just give your lordship an instance under the head of "army services." There is a heading called "miscellaneous services," to which I have referred later on in my evidence. The item is put down; it generally comes to half a million of money—Rx. 500,000. There are no absolute details about that; here and there in the different revenue accounts, when one goes closely into them, he finds that perhaps here an item requires explanation which is not given, and here is another item.

17,168. Have you ever represented to the Government your complaint that on these points sufficient information is not given?—At any rate, my Association has not.

17,169. Then you are not able to say that the Government has refused you information?—From the general reticence to supply information officially we thought it was perfectly useless to ask Government.

17,170. (*Mr. Courtney.*) On what date is the financial statement made?—Generally in the second or third week in March.

17,171. Then the Finance Member refers to three years; the actuals of the past year?—The accounts, the revised estimate, and the budget.

17,172. The experience of the current year and the estimates of the future year?—Yes.

17,173. You have not at that time before you any details of the contemplated expenditure of the future year?—That is so.

17,174. That is the complaint?—Yes; and the accounts that are made then are also those general accounts; the details of them are, as his lordship properly said, given afterwards in the form of Finance and Revenue accounts, which take time to be compiled.

17,175. When do you get submitted to you, or made public, the detailed information as to the expenditure of the year which is the future year when the Finance Member makes his statement?—Do you mean to say the estimates on which the budget is based?

17,176. Yes?—Nearly a year afterwards.

17,177. The statement is made in March of one year and it comes out at the commencement of the next year?—Yes.

17,178. (*Chairman.*) And you are not aware of any reason for that delay?—No.

17,179. (*Sir William Wedderburn.*) But the estimates are in the possession of the Government?—Of course.

17,180. (*Chairman.*) You would hold that they must be in the possession of the Government to enable the financial statement to be made?—Otherwise it cannot be made.

17,181. (*Mr. Buchanan.*) You have all the details of the previous year, of course?—Which previous year?

17,182. (*Chairman.*) I think what Mr. Buchanan means is that at the time of the budget you have then the estimates of the previous year available?—Yes, the estimates, but no details of them.

17,183. I understood you to say that the actual detailed estimates are available for the public about a year after the commencement of the year to which they apply?—Just so.

17,184. And therefore, at the time when the next budget is brought forward you have the estimates of the previous year before you?—We have the revised estimates of the past year and the actual accounts of the year preceding.

17,185. I want to bring your two statements together, please. You have told us that the estimates of one year are available for the people a year later?—That is the estimates for the year for which the budget is expounded. I say that the detailed estimates are not before the public for the budget for the year.

17,186. I want to find what information you had at hand for the budget. As I understand, the budget for 1897–8 was brought forward in March 1897 at that time?—The budget for 1897–8 is brought forward now.

17,187. You said that the budget was brought forward in March?—Yes.

17,188. The budget, therefore, for 1897–8 was brought forward last month?—Yes.

17,189. At that time, I gather from your statement, you could have had for the purpose of criticism the estimates of the year 1896–7?—Not in that detailed form that I speak of, only the revised estimates; I have no information beyond that.

17,190. That does not quite tally with what I understood you to say before. I understood you to say before that the detailed estimates of one year are available a year later; that is to say, they are published?—The detailed estimates of the budget. For instance, the financial statement for 1896–7 was declared; at that time the detailed estimates referring to that were not before the public, and they would be made public just about this time, which is 12 months later.

17,191. But at the present time they are available; you can buy them?—Yes.

17,192. Therefore, when the budget of 1897–8 was brought forward, critics could have in their hands the detailed estimates of 1896–7?—Yes, the details of the *budget* estimates.

17,193. (*Mr. Buchanan.*) And, if there is any substantial alteration in the estimates for the ensuing year, it is possible for them to discover what the substantial alterations are?—They may or they may not.

17,194. They may see where there is any great increase in a grant?—Yes.

17,195–6. (*Sir William Wedderburn.*) For purposes of getting information, the non-official members of Councils are able to ask questions; they have a right of interpellation in the different Legislative Councils?—Yes.

17,197. Do they make full use of that right in the different Councils?—So far as the Bombay Legislative Council is concerned, they now and then do put questions on the subject.

17,198. Do they get satisfactory replies?—Not quite satisfactory; some information is given, but the members themselves feel that it is not full.

17,199. (*Chairman.*) When you complain that information is not readily afforded you, that (*exhibiting volume of "Civil Estimates"*) is a goodly volume; it looks to me as if it contained very minute information?—Yes.

17,200. I should have thought, looking at it, that there is information that would enable the most searching critic to get food for his criticism?—Yes, just so.

17,201. (*Sir William Wedderburn.*) But the information of the want of which you complain, is not so much the information that the Government of India prefer to put forward, as that referred to in the questions that you would like to have an answer to?—In the Legislative Council.

17,202. No; I am referring to the general complaint of want of information. It is true that the Government of India publishes large quantities of information?—Yes.

17,203. But what the public of India want are answers to the particular questions that they wish to put?—Yes.

17,204. Is that the case?—Yes.

17,205. (*Chairman.*) I think that is common to all countries; no Government can undertake to answer every question that any individual or authority may put to them. I would submit to you that the objection you are taking there is an objection that applies equally to this country. I have had some experience of administration in this country, and certainly in my time we could not have undertaken to answer every question that was put to us. I am putting before you that it is not a grievance confined to the Indian Government?—Of course, I am not conversant with the details of your constitution and how the thing is done; but what I say is a fact, that the details are not before us to enable us to criticise the budget more carefully and to prevent any ignorant criticisms.

17,206. That is common to all taxpayers. The Government of India and the Government of England would not, and could not, undertake to answer all questions that are put to them?—Of course, as a matter of fact, important questions are put, but no member of the Council goes and, as you say, asks so many questions as to which the Government of India cannot answer.

17,207. I am anxious to get a definition of your complaint. As you put it, you make it a complaint that individuals and authorities in India cannot get answers and explanations on questions of general finance, which they would like to get answered?—Yes.

17,208. Of course it is a different matter if you mean that members of the Legislative Council cannot get answers to questions which they put in their representative or quasi-representative capacity. Is that what you mean to convey to us?—Yes.

17,209. Therefore, your complaint is, not that general information on financial matters is not given to every person or body who chooses to correspond with the Government of India, but that it is not given to those people whom you may look upon as the representatives of India; that is to say, the members of the Legislative Council?—Yes, the members of the Legislative Council.

17,210. A member of the Legislative Council cannot move for a return, is that the case?—No.

17,211. He can ask for one, I suppose?—In the Legislative Council he may move for a return, and, if the

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Government thinks fit, it may be put forward, or it may not.

17,212. That also is the case here?—Yes.

17,213. A Member of Parliament only puts down a motion?—I am not speaking as far as a return is concerned; if a member wants to produce a paper, that is a different question from the complaint I am making.

17,214. (*Mr. Courtney.*) I think the complaint you are now making you adopt from Sir William Wedderburn; he puts the words into your mouth that you could not get answers to the questions that you wanted to have answered. Will you explain what is meant by that in your own words?—Members of the Legislative Council, when they put questions on finance, get answers from Government which sometimes are not satisfactory.

17,215. They do get answers?—Yes, in a way.

17,216. They have a right to put questions?—Yes.

17,217. (*Chairman.*) So far, their right is the same as that of Members of Parliament here. I have heard of Members of Parliament here not being satisfied with the answers given them. But, practically, I do not see a great distinction between the rule that obtains here and the rule that obtains in India. In both there is the right of asking questions, and, as I understand, the right of having an answer. It is very true that the answer may in neither case be entirely what the questioner wishes?—But the House of Commons is differently constituted from a Legislative Council. It sits here from day to day, and if one Member cannot get a satisfactory answer some other Member puts the question, and it has to get to the bottom of the thing. Virtually, the Legislative Council is held one day and, it may be, a fortnight afterwards; there is no further question put upon it, and, of course, there is an end of the matter. For instance, in Bombay there are only three or four sittings at the utmost in the year.

17,218. The complaint in that case is, not that there is not a right to put a question and to get an answer—— ?—I have not disputed the right.

17,219. But that the opportunities are not sufficient?—Yes.

17,220. Now, passing on, have you anything to say on minor matters in connection with the financial statement?—Yes. A word or two may also be said under this head on minor matters in connection with the annual financial statement. Firstly, the revised estimates invariably exceed the budget estimates, and the accounts are generally better than the revised estimates. From the table I have prepared of budget estimates, revised estimates and accounts for the last 10 years, and which I beg to put in as appendix to my evidence, this will be clearly seen. It would seem to show that, apart from budget estimates, even revised estimates are not yet so carefully prepared as they should be. Bearing in mind that these estimates are made a month or so before the accounts for a financial year are closed, I am of opinion that there should be no such striking variations between them and the actuals as are revealed in the table. Secondly, as to exchange. This item can only be considered as an ordinary one like any other item of expenditure. But much is made of its fluctuating character. It is regarded, as Sir A. Colvin observed in his contribution on "Indian State Expenditure" to the "Nineteenth Century" for October 1894, "in the light of the lodging-house cat. All surplus that "disappears, every estimate which is reduced to fragments, "is due to this mischievous beast. No limits are assigned "to its appetite; yet no provision is made for its voracity." My suggestion is that, under present circumstances—at any rate till the time again arrives for a stable exchange—it would be better to take exchange at a fixed rate from year to year, say at 14 or 14½ pence per rupee in the budget estimate. Should it be found, at the end of the year, that the actual amount incurred under this head is less than the estimate, the difference be credited to an account to be called "Exchange Equalisation or Reserve." In case at any other time the amount incurred is in excess of the estimate, the difference should be taken from this Reserve account. By adopting such a course a certain stability will be imparted to the finances, while it will prevent the Finance Minister from attributing this, that, and the other increase to this *deus ex machinâ* of exchange.

17,221. Would you explain a little more fully your plan of an exchange reserve. I should gather that it is a species of reserve fund which you would create?—Yes, a sort of exchange reserve.

17,222. You would create a reserve fund?—As far as exchange itself is concerned.

17,223. As far as exchange itself is concerned?—Yes, not a general reserve fund of the finances, but of exchange.

17,224. How would you provide that reserve fund with money?—The money would be credited to that account, and it will be supposed to be in the Treasury. Whenever, of course, as I have said, exchange is more or less, the funds would be operated upon and the accounts would be adjusted accordingly.

17,225. But how, in the first instance, would you put that reserve account in funds?—Say, that in the present financial year the Finance Minister takes exchange at 14*d.*; then say that during the whole of the year he finds that exchange has improved to the extent of a halfpenny, therefore, of course, there will be a credit to the exchange over the budget estimates; that credit should be put in the following year's accounts to the exchange reserve, and left there.

17,226. Now take the reverse case, please, that the rupee is not worth so much?—Then, of course, there will be what may be a diminution, and the exchange reserve, if there is a credit to its account, could be drawn upon to make up the difference; provided, of course, that the credit is equal to the amount you require. It may be so sometimes, or it may not be.

17,227. I want to know in case of the rupee falling, and your reserve fund having no money in it, how are you going to get on then?—Then there is nothing to be said; but if we take a sufficiently low estimate, there is every chance that we shall be on the right side.

17,228. But still, you must be prepared for taking money from somewhere; you would have to take money out of revenue, for instance, and put it into the reserve fund to meet this charge; that is to say, if the rupee falls?—I do not mean to say that more money should be taken from the revenue, but only that part of the surplus that remains to the credit of the exchange account on the basis of the rate taken in the budget estimate. This alone should be taken.

17,229. For many years past the exchange has been constantly falling. In that case the reserve fund, unless you took money out of revenue and put it into that reserve at the beginning, would have been always empty, and I do not see how in that case you could have adjusted, or found the means for making good, this loss?—What I mean to say is this—this is my own suggestion, if such a plan was followed, and if there was money it could be utilised. At present, what happens is this, that when there is a surplus in exchange, the Finance Minister disposes of it in his next year's budget.

17,230. (*Mr. Naoroji.*) If I understand you rightly, you mean that, when there is, by a rise in exchange, a larger surplus than was estimated for, you would rather have that surplus arising from the rise in exchange put separate; that is, not to be utilised in the subsequent year?—Yes.

17,231. (*Mr. Buchanan.*) Your plan is only available when the exchange is rising, not when it is falling?—As a safe plan, if the Government is cautious, and knows from past experience that exchange will not go beyond a certain limit, for instance, take 13*d.* even, taking it at that rate, there is very little chance of exchange falling below that.

17,232. But still your plan only works when exchange is rising, not when it is falling?—Of course.

17,233. (*Mr. Courtney.*) If the Finance Member takes a sufficiently depressed view of the coming year, he will always be ready?—That all depends upon the way in which the Government of India for the time being thinks of the rupee; sometimes they may take an optimistic view, and sometimes a pessimistic view.

17,234. Is your complaint this, that in the 20 years 1872–93 the Finance Members have been too sanguine in their estimates of the rate of exchange?—As far as the rate of exchange goes, they have taken it according to the fluctuations, and sometimes it may have been that their expectations have not been realised and exchange has gone lower, or sometimes it has gone higher. For instance, in 1891 exchange was taken low, and yet it rose on account of the United States legislation, the Sherman Act, and it went up with a bound.

17,235. That was one year. As a rule, from 1873 to 1893, was the Finance Minister too sanguine in his estimate of what the rate of exchange would be in the coming year?—From 1873, at any rate, no Finance Member thought much of exchange, and I think in India people did not pay much attention at that time to exchange.

17,236. I said from 1873 to 1893. It began about 1873, and went on to 1893?—Yes, but the general complaint about exchange has been made during the last few years, I think; that is to say, from 1885 the Finance Members have more pointedly called attention to it. In 1885 it was only 3 crores, and it was not thought of much.

17,237. But it does not matter much which year you take—take 1885. What is the gist of your complaint? Is it this, that from that period down to 1893 each Finance Member was too sanguine in his estimate of what the rate of exchange would be during the following year?—I have not said that the Finance Member was sanguine; I have said, generally, the whole of the estimates were more than the budget. I am not speaking of any particular item as being a sanguine estimate, or a lower estimate; I am speaking generally.

17,238. You are speaking with reference to the rate of exchange?—You are speaking there about my table, are you not?

17,239. I thought you were complaining that the finances had been put into confusion in consequence of the rate of exchange falling, and Finance Members making use of the falling rate of exchange as an excuse for successive deficiencies. Sir Auckland Colvin said it was the lodging-house cat; that was your complaint?—Yes.

17,240. The deficiency, then, must be in excess of what the Finance Member had anticipated in his statement?—The fact is this, Finance Members put one rate of exchange, and it may happen, according to circumstances, that it may go up, or it may go down.

17,241. But if it goes down, there is no use in calling it the cat?—Generally we have said it is the military expenditure, particularly during the last 10 years, that have gone more to disturb the finances——

17,242. You are talking about the rate of exchange?—I beg your pardon; in our own way we have thought that it is not exchange that has brought on these disturbances. Exchange might have been borne but for other expenditure which has increased; and what the Finance Members have generally done is that they have attributed it to exchange a great deal; they have made it the most predominant factor.

17,243. And you want to get rid of that cause of disturbance?—We cannot get rid of it.

17,244. You propose a way of accounting which would get rid of that cause of disturbance?—Yes, which would minimise it; that is my suggestion. If this sort of suggestion is adopted—it depends upon the Commission to consider it—in my opinion, I say that it will impart greater stability.

17,245. (*Mr. Naoroji.*) What I understand your suggestion to be is, that whenever there is a surplus on account of a rise in exchange that surplus should not be at once utilised, but should be kept back in order to meet, perhaps, a rainy day of another year?—Exactly.

17,246. And that, upon the whole, if such a reserve were kept, it would keep the fluctuation more stable than it is at present; that is your suggestion?—That is my suggestion.

17,247. (*Sir William Wedderburn.*) It would give the Finance Member an inducement to make a very careful estimate of the loss by exchange; and if he was wrong one year, it would be his object to correct it in the following year?—Yes.

17,248. So as to have no very large balance either to debit or credit of that exchange reserve fund?—Yes.

17,249. (*Chairman.*) I do not think that that is quite reconcileable with what you have told us. I understand Sir William Wedderburn to say that this reserve would induce the Finance Member to make a very careful estimate of his rate of exchange; but you have told us that it would be better to take the exchange at a fixed rate of 14*d.* or 14½*d.* It strikes me that, if a rule was laid down that a fixed rate was to be taken, there is no inducement to the Finance Member to make any minute calculation as to what the rate of exchange would be in the following year?—I am only speaking of a fixed rate; and in taking a fixed rate a wise Finance Member would say the exchange would not go below such a minimum; and, if he takes that minimum, there is, of course, always a chance of coming on the right side.

17,250. That was not Sir William Wedderburn's question to you. Sir William Wedderburn's question was whether your plan would not make the Finance Member much more careful in his estimate of the exchange; but you have already told us that he is not to make a varying estimate, but to take a fixed rate?—Even taking a fixed rate, there is a careful calculation that exchange would not go lower down except, perhaps, in very rare cases; and so far it will be a careful estimate.

(*Chairman.*) But if he has a fixed rate there is no room for the Finance Minister to make this careful calculation.

17,251. (*Mr. Courtney.*) What do you mean by the Finance Member taking a fixed rate; do you mean for five years to come?—Such a fixed rate, as the best experience would tell; a rate beyond which it may not go lower.

17,252. To how long a period in the future does that apply?—It may be revised from time to time, according to the tendency of exchange. The tendency may be always to go up or to go down. At present, you see, the tendency has been for the last few years slightly to improve; it all depends upon the experience of the past.

17,253. (*Chairman.*) I quite understand the utility of your considering a suggestion of this kind; but I want to see what practical value it would have. It does not seem to me that it would have any very great effect, because taking the case of the rupee falling, the money must be found somewhere; and, if it had to be taken out of revenue, the expenditure would be exactly the same as at present; when you got to the end of the year you would find out that such and such had been the loss by exchange, and that would be shown in the expenditure?—That may be your lordship's view. The present practice of at once disposing of the so-called "improvement" in exchange should be put a stop to. As Indian finances go, there is a desire to utilise rather prematurely so-called "surplus" owing to better exchange; though it may happen the very next year that exchange may be worse, leading either to economies here and there, or encroachments on provincial balances, or fresh taxation. This cannot be considered sound finance. At any rate, knowing as we do the chronic embarrassments of the Indian treasury, financial statesmanship would suggest not to be too hasty in disposing of such a sort of surplus. It is more in the nature of a fortuitous windfall, and should not be depended upon. Take the latest instance. In the financial statement for 1896-7 there was a surplus, chiefly owing to better exchange. Straightway half a crore was gifted away to Manchester by reducing the import duty on cotton goods from 5 to 3½ per cent. on the hollow plea of protection, though the Chamber of Commerce, recognised associations, including the Presidency Association, and the Bombay mill-owners, all protested against the plea put forward. It was felt as a sop to Manchester in loyal obedience to the "mandate" from the Secretary of State. Another half a crore was at once voted for purposes of mobilisation, though large sums in previous years had been expended on this object despite our being told that it was not a recurring expenditure. But no sooner was the crore thus disposed of than famine overtook the land, necessitating a large expenditure. Had the crore not been so hastily voted away for objects hardly approved of by the Indian public it would have been available to partially diminish the deficit which is now announced in the revised estimates for 1896-7.

17,254. That, I think, explains perhaps more fully the object you have in view; you would like, as I think Mr. Naoroji put it before you, that any improvement in the finance—any saving made by a better rate of exchange—should be put aside into a reserve fund and not utilised for those purposes which you have described?—Yes.

17,255. That describes your view, does it?—Yes.

17,256. Do you know at all the actual saving on exchange that accrued in this year in which the cotton duties were reduced and the half crore given to the Army? You say there was a surplus, chiefly owing to better exchange; do you happen to know what the surplus, so far as it was due to exchange, was?—I have not looked into that.

17,257. I am anxious to call your attention to it, because your argument is this, that there was a surplus of a crore resulting from exchange, of which one half was given for reducing the import duties and one half to mobilisation?—Yes.

17,258. Now a crore obtained from the exchange being better than what it was anticipated sounded to me rather large. Have you ascertained that the surplus in that year due to better exchange was as much as a crore?—There was a surplus, and it may be not wholly owing to exchange but partly to exchange; but my recollection is that it was generally owing to exchange.

(*Chairman.*) But your argument is based entirely upon this saving in exchange; and your statement would lead

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the Commission to think that that saving had produced enough to enable half a crore to be remitted in taxation, and half a crore to be added to army expenditure. It is rather important that we should know whether the saving on exchange was really anything like a crore.

17,259. (*Sir James Peile.*) Was there no famine insurance surplus put aside in 1896-7?—I have not the financial statement before me just now.

17,260. (*Chairman.*) I may say that I have just been informed that the saving on exchange was more than a crore, and, therefore, your argument, so far as it applies, is correct. Do you think the present system of provincial allotments might be altered, so as to induce a greater check on Imperial expenditure?—Under this head the Provincial Conference held at Karachi last year, the Bengal Conference and Congress at Calcutta, all passed resolutions demanding a more equitable mode of fixing the quinquennial allotments. In substance, all these resolutions stated that the time had arrived when a further step should be taken in the matter of decentralisation by leaving the responsibility of the financial administration of the different provinces principally to the Provincial Governments, the Supreme Government receiving from each Provincial Government only a fixed contribution levied in accordance with some definite equitable principle which should not be liable to any disturbance during the currency of the period of contract except in "dire emergencies," as contemplated by Lord Ripon's resolution, so as to secure Provincial Governments that fiscal certainty and that advantage arising from the enhancement of the revenues which are so essential to all real progress in the development of the resources and in the satisfactory administration of the different provinces. It would be well that in each case the Government of India should record a declaration showing the dire necessity which has made it necessary to infringe the original contracts with the Provincial Governments. And the contributions taken from the different provinces should be taken on the basis of the original contracts. It is thought that at present not only the Imperial Government takes a larger portion of the provincial revenue at the renewal of each contract, but makes further demand on the Provincial Governments when it has to meet a very large expenditure. This policy hardly engenders an economic spirit in the Government of India. It checks provincial expenditure, but there is none to check its own. It is the old story of who will keep in custody the custodian. It is therefore suggested that the Provincial Governments should respectively contribute to the State Treasury a certain fixed percentage of their revenue, and reserve the rest for their own expenditure. Say, if 40 per cent. was so reserved, it would not only impart uniformity, but remove the present complaint of unequal contribution. The older and richer provinces are made to pay partially for the expenses of the newer and poorer. The advantages claimed under the system proposed by the Congress and the Conference are these:—(1) That each province will be in a position to work out its own financial salvation, exactly in the way in which a kingdom, self-contained and self-managed, does. (2) That it will enable each province to develop its material resources, with the revenue it may make available on objects of utility. (3) That it will be unfettered by any obstruction from the Imperial Government. (4) That the Imperial Government would only obtain as much as would suffice for its reasonable requirements, and not for expenditure on objects of doubtful utility, or on profitless border expenditure, and so forth, including so-called strategic railways and military works. (5) That thus the Imperial Government would be compelled to cut its coat according to its cloth, and exercise the strictest economy in Imperial expenditure. A sort of automatic check will be exercised. These checks would operate usefully as a financial control over the expenditure of the Government of India.

17,261. You do not, I understand, demur to the Supreme Government drawing on the Provincial Governments in cases of what you describe as "dire emergency"?—Those are the words of the resolution of Lord Ripon; I put them in inverted commas.

17,262. You do not demur to that?—No; in the case of "dire emergencies" the Imperial Government can.

17,263. Therefore, the distinction you draw is between "dire emergencies" and what you call "large expenditure." You do not object, that is to say, to drawing on the Provincial Government in cases of "dire emergency," but you do in case of "large expenditure"?—What I say is this, that at present the provincial allotments are based on a principle which is considered not quite equitable; therefore, if a certain percentage of revenue for all the provinces was uniformly fixed, then the Provincial Government will get a certain expenditure.

17,264. That is another question. I am confining myself now to this: you speak of "dire emergency," and I think it has been considered that in case of "dire emergency" the Central Government must get its money as best it can?—Certainly.

17,265. You say that "it is thought that at present, "not only the Imperial Government takes a larger "portion of the provincial revenue at the renewal "of each contract, but makes further demand on the "Provincial Governments when it has to meet a very "large expenditure." Therefore, I take it that you would say that the Central Government does not confine itself to "dire emergency," but draws upon the Provincial Government to meet large expenditure?—Yes, when making every five years its contract.

17,266. We will keep that till afterwards, if you please; we are now talking about "dire emergency." Your charge against the Central Government is that it does not confine itself to making these drafts on the Provincial Governments for cases of "dire emergency," but that in fact it makes these drafts to meet heavy expenditure of its own?—Yes.

17,267. Is not that to a certain extent a matter of opinion; do you not think that the Government itself would say that it has only been drawing upon the Provincial Governments in cases of "dire emergency"?—I beg your pardon?

17,268. Do you not suppose that the Central Government would say that it has confined itself to cases of dire emergency?—Of course, if there is any dire emergency, to draw upon the Provincial Governments—to that I have not demurred.

17,269. You say, further, that it has drawn upon the Provincial Governments in cases of large expenditure, which are not "dire emergency"?—I beg your pardon. What I have said here is this, that at the renewal, as it were, of each provincial contract, a larger part of the surplus of provincial revenues is drawn; that is one thing quite apart from that; if "dire emergencies" took place during the contract the Imperial Government takes a little more.

17,270. Further, you say it makes further demand upon the Provincial Governments when it has to meet very large expenditure?—That is only, as I say, in the case of "dire emergencies." That is what I mean.

17,271. Therefore, you do not object in the case of large expenditure; you interpret that as the same as "dire emergency"?—It is only in "dire emergency," caused by larger expenditure, that the Government of India draws upon the Provincial Governments beyond the amount of the provincial contract.

17,272. And you do not object to it doing so in the case of "dire emergency"?—Certainly not.

17,273. Do you think it has drawn upon the Provincial Government in cases which were not cases of "dire emergency" during the currency of the contract?—Yes.

17,274. Can you name any cases?—During the time of the Penjdeh scare, in the time of Lord Dufferin, the Provincial Governments were called upon to pay a large amount of money.

17,275. Was not that a "dire emergency"?—There, your Lordship will please see, there will be difference of opinion; the Indian opinion is that it was not a "dire emergency," for which the provincial balances should have been drawn.

17,276. But, at all events, the Central Government was apprehensive of very grave complications, was it not?—There, of course, we are coming into a question of policy.

17,276*a*. No; I am talking merely of the question of dire emergency; I have nothing to do with whether it was right or wrong; the Central Government thought that this was a grave foreign complication. Would you not call a grave foreign complication a dire necessity?—By dire necessity I mean such a thing as famine, or a war actually forced upon the Government by acts of foreign powers of a nature——

17,277. And, rightly or wrongly, in this case the Government thought in what you call the Penjdeh scare there was a grave foreign complication impending, and I ask you whether that is not a dire emergency?—I say that it was not.

17,278. You do not think that the idea of an invasion is a dire emergency?—If it was actual war, unprovoked or anything of that sort by a foreign power, it would be a "dire emergency" in which to defend; but in this case it was simply a scare, and much was made of it.

17,279. At all events that is a matter of opinion?—There, again, as I say, we come to a question of policy; and of

course the Government of India may differ from Indian public opinion. Indian public opinion thought that it was not a "dire emergency" and that the money should not have been drawn.

17,280. (*Mr. Naoroji.*) Do I understand that the threat of that Penjdeh scare was so far considered as a "dire emergency," that it led to some very important results, and upon that threat the Government took a certain larger proportion from the provincial budgets; but finding that that scare passed off, and that the necessity did not arise for this extra contribution from the Provincial Governments, you think that the Imperial Government ought to have taken that amount into consideration in the future allotment of the quota that the Provincial Government should have given?—Yes.

17,281. (*Sir James Peile.*) Did not the Government of India restore what it took from the Provincial Governments in that case?—Not for the year 1885–6; some balances taken later on were refunded; for instance, the balances drawn upon the year before last were restored, but in some cases they were not restored.

17,282. (*Chairman.*) Then, passing away from "dire emergency," your view would be that, when a new contract is made, there should be a fixed proportion of the increase of revenue which should be taken by the Imperial Government, and that there should not be, as it were, a negotiation between the Imperial Government and the Provincial Government as to which could get the best terms; the Imperial Government would simply take 40 per cent.?—I am simply speaking of 40 per cent. as an example; a certain fixed expenditure might be considered as fair to the Imperial Government, and a certain other fixed percentage as fair to the Provincial Governments.

17,283. That proportion should be a fixed one?—Yes.

17,284. Supposing at the end of the contract it were found that the revenue, where it had been a million, was a million and a half, the Imperial Government during the next five years would take only a certain known proportion of that increase?—Yes. If your Lordship will allow me, I will refer to what was discussed at these public meetings. It was this: Of course, all revenue is collected to be eventually expended, therefore the Government might take into consideration what was the average expenditure of all the different provinces. If it came on calculation that the average expenditure of all the different provinces was something like 40 per cent. or 45 per cent., the Government of India might say, "Very well, we will give all the provinces a fixed percentage of revenue." No province can then complain that more is taken from one province and less from another; everybody will stand on a par; everybody will spend the fixed percentage, be it 40 per cent. or 30 per cent., from the revenue for their own provincial expenditure, and the rest will come to the Government of India, and that will be a very equitable way of doing it.

17,285. (*Sir James Peile.*) Would not that assume that all the provinces were equally taxed?—That is what the people want. They observe that at present sometimes Bombay contributes more, and perhaps Madras, which pays a larger revenue to Government, gets less for its expenditure. If your Lordship will allow me to refer to a little table I had prepared at the time of my addressing the Provincial Conference at Karachi, I shall be able to explain what I mean. Taking the last provincial contract, I find that whilst the revenue of the Central Provinces was 1·46 crores, its expenditure was much greater—that is to say, the percentage of expenditure to revenue was 70 per cent.

17,286. (*Mr. Mowbray.*) That is the provincial expenditure?—That is the provincial expenditure. In the case of Bombay the revenue was 7·97 crores, and the expenditure was 5·26; therefore Bombay's percentage came to 66. Then take Madras. Madras had a revenue of 9·59 crores, and the expenditure was only 4·67, therefore Madras had only 48 per cent. of its revenue for expenditure. The North-West Provinces had a revenue of 9·57, expenditure 4·01, therefore their expenditure was 42 per cent. Therefore it will be seen that the percentage of revenue which the different provinces get for their expenditure, ranges from 70 per cent. to 42 per cent. All have not the same ratio of expenditure, and the complaint is that some provinces which have a larger revenue get less for expenditure, and part of their revenue goes perhaps to further the purposes of the wants of some other province. So that is the inequality of which the different bodies complain.

17,287. (*Chairman.*) Do you not think there may possibly be some reason for one province not having so much of its revenue given to it as another?—According to a statement of Sir James Westland, there are some backward provinces, which have not got the same revenue as the richer provinces, and they should all be placed on the same line as the older.

17,288. He advocates a single line—that the poor provinces and the rich provinces are to be treated in exactly the same form. Is that really Sir James Westland's opinion?—I think so. What we say is that each province must depend upon its own revenue, and, if it gets a fixed percentage of revenue for its expenditure, it cannot complain. Bombay gets 40 per cent. for itsexpenditure; the Central Provinces, if they have a less revenue, will still get 40 per cent. for their expenditure, and thus all provinces will have an equal chance of expending, and the Government of India will not have to take a little more from one and a little less from another.

17,289. (*Sir James Peile.*) They would not all have an equal chance of prospering?—What we say is this: that where a younger province has a small revenue, it will excite and stimulate that province to improve its own resources so as to get by-and-by a larger revenue. Virtually, every province must be considered, as it were, a small kingdom by itself. India is a very large country. Each kingdom of Europe by itself manages its own finances and tries to work out its own salvation. In the same manner each province should strive to stimulate its own revenue, and by all means, if it can stimulate its own revenue, so much the better; it will soon come in a line with the older provinces; that is the argument.

17,290. (*Sir William Wedderburn.*) Was not the original contribution of each province settled in a somewhat accidental way originally; there was no regular inquiry?—In the early stages there was no fixed principle.

17,291. It was roughly fixed?—Yes.

17,292. There was no regular inquiry?—No.

17,293. (*Chairman.*) You do not see any difficulty in, or any objection to, laying down a cast-iron rule for the whole of India, rich and poor, thriving province and backward province alike?—The complaint is this; that India is a progressive country, and each province requires a particular expenditure, especially of a public utility character, in order to progress, therefore each province is jealous of the other provinces, and the complaint is "They take more "from us and give it to somebody else, and why should we "have a less amount of revenue to expend."

17,294. That does not quite answer my question. You see no objection whatever to laying down one cast-iron rule for rich provinces and poor provinces, for thriving provinces and backward provinces?—No.

17,295. The difficulty of applying general rules to what is really a continent, and the necessity of treating the different portions of that continent according to their wants, have been put before us as some of the great reasons for decentralisation. But now, when it comes to this question of the provincial revenue, you are advocating precisely the contrary, namely, one iron rule to be applied throughout the whole country. You see no objection?—Because it would be more equitable.

(*Chairman.*) That, of course, is the question, whether it is equitable to treat the backward and the thriving provinces the same.

17,296. (*Mr. Naoroji.*) Do you not also mean that at different times the share, or whatever the proportion is that is fixed, might be considered according to change of circumstances and experience obtained?—I do not understand your question exactly.

17,297. You do not make it quite a rule to lay down for ever a certain proportion; but, having fixed a certain proportion, after a number of years, if we found a certain change necessary, it should be made?—Certainly, oh certainly.

17,298. (*Sir James Peile.*) What was Sir James Westland's opinion about the manner of treating the poorer provinces?—I think it is stated in the speech which Sir James Westland made last year.

17,299. Did he wish to help the poor provinces, or to leave them to their own resources?—No, he wanted to help them.

17,300. From the resources of the richer?—Yes, because certain of the non-official members of the Council complained at the time about this very affair—that the revenues were not equally distributed for the purposes of expenditure.

17,301. (*Mr. Courtney.*) From what provinces did they come?—One gentleman was Mr. Bhuskate, who came from

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the Central Provinces, and the other gentleman—I forget his name—came from Madras, I believe.

17,302. (*Mr. Mowbray.*) The Provincial Governments do get a share in some of the revenues, do they not; I mean, their share depends on the amount of revenue they themselves raise?—No doubt at the end of each provincial contract the Government of India revises the contract and sees what revenue a particular province has been able to earn; and, of course, if there is a growth of revenue, then the Government of India takes a part and allows a part to the Provincial Government.

17,303. But is it not the case, with regard to certain revenues, that the Provincial Government gets for itself a share of the revenue, a proportion of the revenue; and, if that revenue increases, its share naturally will increase during the currency of the contract?—If during the currency of the contract the revenue increases?

17,304. Yes; is it not the case, with regard to certain revenues, that the Provincial Governments now get, not a fixed amount, but a proportionate share of the revenue which they themselves raise?—The contracts are fixed, as you will find in the Financial Statement,—of land revenue so much; excise so much——

17,305. Yes?—That is the contract itself.

17,306. But is not that very much what you were arguing in favour of, that they should have a certain proportion of the revenues they raise?—Yes; but, as a matter of fact, certain proportions are fixed for different heads of revenue.

17,307. Yes; I admit the proportions under different heads may be different, but, so far as it is proportional, that is the system which you yourself are advocating, is it not?—No; I say that those proportions, even when they are taken, do not act fairly on the different provinces; and therefore, if, instead of taking the revenue, a certain proportion of expenditure was fixed, that would be a far better way of doing it. Our principle is rather directly contradictory to the principle adopted by the Imperial Government; we go for giving the Provincial Government a fixed percentage of expenditure.

17,308. That is the difference between your proposal and the existing system?—Just so.

17,309. That, whereas the Imperial Government gives to the Provincial Government a share of the revenue, you wish to assign a share of the expenditure?—Yes; to fix a percentage of expenditure.

17,310. (*Mr. Naoroji.*) Do I understand it rightly that what you mean is that during the five years of the contract the Provincial Government goes on increasing its expenditure in accordance with its increase of revenue; but, when the five years are over, the Imperial Government takes away so much; and that, if the addition made to the expenditure during the five years is not kept up, they are obliged to retrench their expenditure; if a certain proportion was fixed on out of the surplus, the Provincial Government would always get a certain proportion; that fixture would make the Provincial Government see in what proportion it could increase its expenditure?—It virtually comes to that.

17,311. (*Chairman.*) I will take a figure. A certain province produces Rx. 1,000,000, a crore of rupees. Your suggestion would be that Rx. 400,000 of that——you have named 40 per cent.?—Simply as an illustration; I did not mean to fix it.

17,312. That Rx. 400,000 should go to the Central Government, and Rx. 600,000 should be reserved for the Provincial Government?—I beg your pardon, it is the other way; Rx. 600,000 to the Imperial Government, and Rx. 400,000 to the Provincial Governments to be distributed among the different provinces.

17,313-4. A description of every branch of administration in India has been laid before us in papers given us by Sir Henry Waterfield. Have you, or your Association, any comments to offer upon the administration of those branches under their different heads?—I have made some remarks under my second heading, the progress of expenditure.

17,315. I want to invite any comment you might like to make upon the different heads, such as education, judicial establishments, and so forth—upon the machinery of their administration?—I have no remarks upon that.

17,316. And so far as you do not criticise them, we may assume that you have no objections to advance against the principles of administration under those several heads?—I am not in a position to criticise, because I am a non-official, and do not know what is the exact working of the machinery, and whether the expenditure is justified or not. I am not in a position to tell.

17,317. But, as representing the opinion of the governed as apart from the governing body—you have no criticism to offer upon it; there are no blots or defects which are evident to you outside and to which you would wish to call attention?—Under which heading?

17,318. Under the heads of these great departments?—I am not in a position to criticise them.

17,319. (*Mr. Buchanan.*) As far as you know, there is no general dissatisfaction with them?—There is a general dissatisfaction in a way; but I have not gathered all the details in different parts of the country—I mean the opinions expressed on the subject. These have not been formulated and focussed in such a way as to enable me to offer that criticism here.

17,320. No particular Department is found fault with?—As a matter of fact, there are complaints, say, about, the Police Department, about the law courts, and so on—there are complaints, no doubt, but if you ask me specifically on the subject, of course, I say I am not in a position to submit them.

17,321. (*Chairman.*) If it has not been represented to you in a form that you can represent to us, it will naturally be left upon our minds that Indian public opinion has no very grave criticism to make; otherwise it would be able to formulate it?—Other Associations may be able to formulate them; of course, for the present, I do not offer my own opinion one way or the other.

17,322. Therefore, we should come to the conclusion that Indian opinion has not formulated any formidable criticisms upon these branches of administration; otherwise, no doubt, you would be able to tell us what that criticism was?—I have already given my reply; but on the growth of expenditure, I have spoken about military expenditure, and some other matters too; education, and one thing and another, so far as my own personal knowledge has gone.

17,323. I think that finishes what you would wish to say to us upon the subject of the machinery of administration?—Yes.

17,324. The second heading on which you propose to give evidence is the progress of expenditure?—Yes.

17,325. What year do you wish to take for your comparison for the growth of expenditure?—For purposes of comparison, I have taken 1884-5 as the standard year for two reasons. Firstly, my Association in its memorial to the Indian Government, in March 1894, complained of the excessive growth of civil and military expediture during the years following 1884-5, and pointed out that the increased expenditure was principally to be attributed to that expenditure, and not to the increasing expenditure on exchange, which was only a subordinate factor. Secondly, because in 1884-5 revenue and expenditure nearly balanced each other after the many vicissitudes to which Indian finance was subjected by famine and the second Afghan War, and after the laudable remission of taxation to the extent of nearly 3 crores of rupees during the administration of Lord Ripon with Sir Evelyn Baring (now Lord Cromer) as the Finance Member.*

17,326. On what principle do you calculate the increase of expenditure?—I may observe that in comparing the growth of expenditure from 1885-86 to 1894-95, I have taken the average increase of the decade, as being more accurate and satisfactory. For instance, take one item of expenditure, say the net charge on the debt services. This amounted in 1884-85 to Rx. 3,907,848. In the year 1894-95 it was Rx. 4,308,955. Apparently the difference in the amount between the two years would show an increase of Rx. 401,107. If, however, the average of the annual growth of the 10 years was taken, it would be found that the charge was Rx. 3,728,949, or a decrease of Rx. 178,999 over 1884-85.

17,327-8. Does that represent quite a correct result? You start with the debt as it stood in 1884-85, do you not?—In 1884-85.

17,329. That is a single year?—That is a single year.

17,330. Very well; during the 10 years that followed various changes have taken place in the debt; is not the fairest comparison, then, that of the year 1884-85 against the latest year in your comparison—1894-5. Let me put this to you in explanation of what I mean. Some conversions have taken place during this time, have they not?—Yes.

17,331. Is it not a fair comparison between the debt at the end of the time with what it was at the beginning of

* *See* Appendix No. 74.

the time? Does not the year 1894–95 on comparison with 1884–85 more fairly express what the state of the debt was at the two periods?—As far as to what the mere state of the debt was, it may be an arithmetical calculation to do it; but I am comparing the growth of the interest charge during the decade. I did not take a single year, because in many matters there have been fluctuations in all the cases of expenditure. One year it has gone up and another year it has gone down. In the year in which it has gone down, if you compare that year with 1884 you may show the expenditure is less; that is one way of doing it. But if you take the 10 years' average growth, it shows distinctly on the whole for 10 years what has really been the growth. As a matter of fact the Government of India itself has followed that plan. I remember in 1883–84, when Lord Ripon's Government was criticised by Mr. Stanhope in a speech in Parliament showing that the expenditure had greatly increased, there was a Blue Book published by the Government of India. It was a Parliamentary return in which Sir Evelyn Baring really took the average growth; and very often the Government of India itself adopts such a method.

17,332. As far as the debt is concerned, surely the fairest way of comparing it is to take what the debt stands at now, and compare it with what it was 10 years ago. The average appears to me to have no meaning in that case at the present moment. The charge of the debt is so much; during the 10 years you may be borrowing and you may be reducing interest; but the charge on the debt at the present moment is Rx. 4,308,955, according to your figure. At the end of the previous 10 years, in the year 1884–85, it was Rx. 3,907,848; surely that difference of Rx. 401,107 shows you the state of the debt of the two periods?—Your lordship will see that I am more fair in taking the average growth of the debt services. All my figures are taken from the last Parliamentary return of 1896–7. For instance, take the interest of the ordinary debt in India. In 1884 it was Rx. 3,783,184; in 1885–86 it increased to Rx. 3,810,372; then again in 1886–87 it went down to Rx. 3,791,427; then again the next year it rose to Rx. 3,850,769; in 1888–89 it went up to Rx. 4,107,403; in 1889–90 it was Rx. 4,149,775; in 1890–91 it went up to Rx. 4,368,045; in 1891–92 it again came down to Rx. 4,168,622; and then it again increased, so that there have been regular fluctuations. Sometimes it has gone up and sometimes it has gone down. Therefore, if you want to compare what was the average interest charge paid during the 10 years, in my opinion, the more satisfactory basis of comparison is to take the average of 10 years than to take a single year and compare it with 1884. That would be the real growth.

17,333. I should have thought, myself, that the state of the debt, as it stands at the end of the period, compared with its state at the beginning of the period, was the proper way to compare it; but your view is different. What do you consider to be the financial position during the 10 years you have adopted; was it improving or deteriorating?—According to the Parliamentary Return of Income and Expenditure, dated 27th March 1896, the net expenditure for the 10 years ending with 1894–5 amounted to Rx. 545,854,292, while the net revenue was Rx. 546,319,618, showing a net surplus during the decade of Rx. 465,326. It meant that the expenditure just balanced the revenue, and left an insignificant surplus of half a million Rx. It should, however, be remembered that enhanced taxation on salt, and the imposition of the income tax, and that of the import duty on certain classes of merchandise in 1894–5, yielded Rx. 23,996,829. But for this amount there might have been a deficit of Rx. 23,531,503, or, say, 2·35 million Rx. per annum. But even this is not the full measure of the deterioration of the finances during the decade under review. The Famine Insurance Grant was now and again partially suspended, in all amounting to Rx. 4,520,114, while the provincial balances were encroached upon to the extent of Rx. 890,000. When these additional items were taken into consideration, it would be found that the deterioration or deficit amounted to Rx. 29,406,943 *minus* Rx. 465,326.

17,334. How do you reckon that increase of taxation, which you put at nearly Rx. 24,000,000?—I calculate it in this way; the receipts from new taxation in the period under review may be divided into three heads: assessed taxes, salt duty, and customs. As to assessed taxes, the income tax was levied in 1886–7; the increase from that year to the year 1895–6 amounted in all, taking all the nine years together, to Rx. 9,879,000. As to the salt duty, that was enhanced in 1888–9. The increase from that year over the yield of 1887–8 and the previous years amounted to Rx. 11,981,000. Customs duty; the import duty on merchandise, exclusive of cotton duties, was imposed in 1884–5; and the increase in that year over the preceding one was Rx. 2,135,000, making a total of 23,996,829.

17,335. I wish to gather how you reckon the actual increase; now, taking salt duty, how do you arrive at that increase? The salt duty was raised from 2 to 2½?—Yes, from 2 to 2½ per maund.

17,336. Two rupees?—Two rupees and a half.

17,337. That was to say, that the duty was increased 25 per cent.?—Yes.

17,338. Do you reckon the increase from that duty at 25 per cent.?—What I have done is to be more fair; I have done this: I have taken the four years preceding, when the salt duty was at two rupees, from 1884–5 to 1887–8. For instance, in 1884–5 the salt duty was six millions; in 1885–6 it was Rx. 5,877,000; and in 1886–7 it was Rx. 6,238,000; and in the last year before the duty was raised it was Rx. 6,233,000. I have taken the average of those four years.

17,339. Which you find to be how much? What is the average?—It comes to Rx. 6,200,000 odd.

17,340. Yes?—Then, commencing with 1888–9, of course the duty has gone up. It is Rx. 7,229,000. I take that Rx. 7,229,000, and deduct from it the average of the previous four years, and put down the increase in the duty in that year as Rx. 995,000. In the next year it was Rx. 1,507,000; and the difference came to Rx. 1,839,000, and so on.

17,341. (*Mr. Naoroji.*) You mean the difference?—Yes; and I total up the increase of the seven years to Rx. 11,981,565.

17,342. (*Chairman.*) That does not take into consideration any possible increase or decrease of consumption?—Supposing that the duty has not been increased. There might have been, in the natural course of things, a small improvement as it was going on.

17,343. In consumption?—In consumption.

17,344. I want to find out how you reckon it. You do not take into consideration in your calculation increase or decrease of consumption—it is not a factor in arriving at the amount?—No, but the thing is this, I have not taken it into my account, because I may say that the increase which had gone on from 1884–5 to 1888 was not very considerable, and according to my calculation—in my estimate which I have given—it would make very little difference.

17,345. Still, you have not taken into consideration increase or decrease of consumption?—No. If your Lordship will allow me to say, as a matter of fact, I see in my table that I have taken the average of the salt revenue in my comparison, not from 1884, but from 1882–3; that is to say, the very first year in which the duty was reduced by Lord Ripon's Government from 2½ to 2 rupees; and therefore the average for the six years only came to six millions, as I have already pointed out to your Lordship. Therefore the average is very fair.

17,346. You have pointed out that the deterioration or deficit amounted to over Rx. 29,000,000?—Yes.

17,347. To what do you attribute the deterioration?—I attribute this deterioration in the finances, which necessitated additional and enhanced taxation, to the enormous growth of military expenditure in the first instance, and, secondly, to a considerable increase in the civil expenditure. But the main disturbing factor was military expenditure, but for the growth of which the revenue could have fairly borne the increasing burden of exchange without any taxation being imposed. Thus:—

	Rx.	Rx.
Net expenditure in 10 years - -		545,854,292
Deduct increased net army charges over 1884–85, exclusive of exchange -		37,494,770
		508,359,522
Net revenue in 10 years was -	546,319,618	
Deduct new taxation, famine grant, suspended and provincial balances -	29,406,943	
		516,912,675
Net surplus - - -		8,553,153

17,348. The Government thought this increase of military expenditure which you have been mentioning necessary; but I presume that was not the view of

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Indian public opinion?—The view of Indian public opinion is the same as I have expressed; but the increase of military expenditure was mainly owing to the addition of 10,000 European and 20,000 native troops in 1885. On this subject a resolution was passed at the First Indian National Congress (1885) as follows: "That in the opinion "of the Congress the proposed increased military expendi- "ture of the Empire is unnecessary, and, regard being had "to the revenues of the Empire and the existing circum- "stances of the country, excessive." I seconded this resolution, and gave my reasons in support of it.

17,349. And did your Association also protest?—Yes. On the same subject, namely, this increase of troops, the Bombay Presidency Association forwarded on 27th January 1886 a memorial, prepared by me, to Lord Randolph Churchill, the then Secretary of State, protesting against its necessity. It pointed out that, bearing in mind the report of the Simla Army Commission that for all purposes of internal defence and repelling external aggression on the frontiers the then existing strength of the troops was sufficient, the Association failed to understand the reasons for augmenting it, when 17 millions were being already spent per annum, as the Army was then constituted; that successive Viceroys and Finance Members had deplored, from time to time, the growth of the expenditure, and emphasised the necessity of curtailing it; that the Government of India itself, in its despatch of 21st November 1884, pointed out how the growth occurred; that of the net average growth of Rx. 670,000 per annum in the ordinary revenue during the decade ending 1883-84, the army charges alone absorbed Rx. 144,000; that during the same decade the growth of the net land revenue was Rx. 400,332, or say Rx. 40,000 per annum, so that increased military expenditure absorbed in one year the net increase in land revenue of 3½ years; that the Indian Exchequer had no reserve to fall back upon; that there was no true surplus to speak of while the periodical calamities of famine, let alone other unforeseen contingencies, had generally to be met with borrowed monies which only swelled the permanent interest charge on the revenues; that, reviewing in 1879 the finances of India for the seven preceding years, Sir John Strachey, a former Finance Member, observed that, "India "possessed no true surplus of revenue over expenditure "to cover the many contingencies to which a great country "is exposed;" that, such being the ordinary condition, the Association would leave to the Secretary of State to consider how the finances could bear the severe strain that was then about to be put upon them to the extent of 2 millions sterling per annum; that, in its despatch of 8th February 1878, the Imperial Government observed that "placed as it was under the serious responsibility of "so administering the affairs of the greatest dependency "of the British supremacy, that while British supremacy "is strictly guarded, the means of securing that end shall "not unduly weigh on the people of this country, it was "constrained to represent to Her Majesty's Government "that the burden thrown upon India on account of the "British troops is excessive, and beyond what an impartial "judge would assign in considering the relative material "wealth of the two countries, and the mutual obligations "that subsist between them—all that we can do is to "appeal to the British Government for an impartial view "of the relative financial capacity of the two countries to "bear the charges that arise from the maintenance of the "army of Great Britain, and for a generous consideration "of the share to be assigned by the wealthiest nation in the "world, to a dependency so comparatively poor, and so "little advanced as India—owing to the poverty of the "people, and their consequent inability to bear taxation, "it was unable to supply the funds required for the most "necessary and desirable objects;" that the Secretary of State, on a reconsideration of the whole question in all its bearings, political and financial, would be pleased to recall the instructions issued on the subject, and at the same time take such measures for the curtailment of the overgrown military expenditure as to bring about a sounder and healthier state of Indian finance generally; that, should Her Majesty's Government adhere to their resolution to carry out the proposed increase in the Army, the Association submitted that the expenditure thereon should be met from retrenchment, for which there was great scope, and not from increased taxation, and that the Imperial Government of England be asked to share the greater portion of the burden; and, lastly, that a stringent system of check and control should be established, so that encroachments on the revenues of India might be effectually prevented. I beg to put in this memorial.*

17,350. You mentioned the Simla Army Commission; when did that Commission sit?—In 1879.

17,351. Of whom was it composed?—I do not remember all the names. Sir Donald Stewart was one, Lord Roberts another.

17,352. (*Sir Donald Stewart.*) I was not one?—I beg your pardon. I made a mistake.

17,353. Sir Ashley Eden was the chairman?—There were about six or seven gentlemen present.

17,354. (*Chairman.*) Have you any further evidence to give of remonstrances made by representative native opinion?—Yes. Those were the views expressed 11 years ago on military expenditure by the Association, which the course of events has now greatly emphasised. For, beyond the expenditure on the increased troops, there has been a very large expenditure on strategic railways, on arms and ammunition, on mobilisation, on a variety of border expeditions beyond the statutory frontier of India, special defences, military roads, and the occupation of Upper Burma. The Association, therefore, is of opinion that it is the increased military expenditure which is primarily responsible for the embarrassed condition of Indian finance during the period under review.

17,355. I do not quite follow. Are you alluding now to a further memorial?—I am just going to read it.

17,356. At the end of the previous question you said that you wished to put in a copy of the memorial?—That I have put in.

17,357. Then you say: "the Association, therefore, is of "opinion that it is the increased military expenditure "which is primarily responsible for the embarrassed con- "dition of Indian finance." Is that in another memorial?—No, that is the general opinion of the Association which I put forward; a memorial afterwards followed—later on.

17,358-9. You mean to convey to us that that was the opinion of the Association; it was embodied subsequently in another memorial?—Yes.

17,360. Now will you proceed?—I may observe that, in response to the invitation issued to leading public bodies by the Finance Committee appointed by the Government of India, the Bombay Presidency Association forwarded on 27th August 1886 a memorandum on the retrenchment of expenditure prepared by me. That memorandum, which I beg to put in, reiterated in brief its protest against the burden of two million sterling on the additional troops, as well as the outlay on frontier railways and other military works, and observed that these were all elements of danger to the stability of Indian finance; that loss by exchange was liable to swell with further fall in the value of silver measured by gold; that, while it disturbed the Indian Exchequer, it was within the power of the Government to mitigate to some extent the evils arising from it, provided the causes which created the heavier burden were fairly faced, namely, the home charges; that these would grow in future with the increased military expenditure, and with the increase of sterling debt, and of salaries and pensions which had to be paid in gold; that a material reduction under exchange could only be looked for when there was a corresponding material reduction in those charges; that it was essential for the Indian Government to urge strongly on the Secretary of State the desirability of devising some scheme to commute in silver the liabilities that had to be met by gold payments; that, if possible, the guaranteed interest on railways should be reduced by opening negociations with those companies, as suggested in 1882 by Sir John Strachey and General Strachey at pages 80 and 83 of the "Finances and Public Works of India."

17,361. You mentioned that the despatch of the Indian Government of the 8th February 1878 remonstrated against the heavy charge of the British troops. I presume that the Indian Government was a party to, and concurred in, the increase of the Army in 1885-86?—I do not know.

17,362. You have no evidence upon that?—No.

17,363. I wanted to know whether that increase was imposed upon the Indian Government against the wishes of the military authorities in India and of the Indian Government, or whether it was a measure to which they assented?—I know nothing about it.

17,364. There is no evidence upon that?—This much appears in the book on the reduction of expenditure. There is a minute of Sir Auckland Colvin, the Finance Member, and Mr. Ilbert, jointly, in which they strongly protested against that expenditure.

17,365. If they protested, being two members of the Council, I think we must assume that the remainder of the Council were concurring in this increase?—The Finance Member of the day protested against it.

* *See* Appendix No. 75.

17,366. That hardly answers my question. My question was, whether the Governor-General and the majority of the Council were in favour of it?—I do not know what the opinion of the majority was.

17,367. You say that the Indian Government remonstrated against the expenditure, throwing the responsibility upon the Home Government; it is rather important, when an enormous increase of the Army takes place a few years afterwards, that you should be able to show to us whether the Indian Government, which must be the body most alive to the danger of inefficient defence, were parties to this large increase?—I have no knowledge of it.

17,368. I suppose you would judge from the fact that two Members of the Council protested, that the remainder of the Council concurred?—It may be that the other members of the Government of India did not want to make any minute in obedience to the orders of the Secretary of State; and that they, therefore, remained quiet.

17,369. But I suppose there is some correspondence which shows how that increase of the Army was brought about, is there not?—I have not seen the correspondence.

17,370. (*Sir Donald Stewart.*) Are you aware that the Governor-General and the majority of the Council in the first instance, went against that proposal for the increase of the Army to which Sir Auckland Colvin and Mr. Ilbert objected?—I have no knowledge.

17,371. You do not know; but are you aware that the Government of India subsequently accepted that increase under different circumstances?—I have no knowledge of it.

(*Chairman.*) Therefore we have it now that the Government of India, possibly reluctantly, but looking at all the circumstances of the case, were parties to that increase.

17,372. (*Sir Donald Stewart.*) Very reluctantly?—I hear so from Sir Donald Stewart.

17,373. (*Chairman.*) When you took out of what I presume were the published documents of the Government of India, the protest of the Finance Member and Mr. Ilbert, was there not appended any resolution or despatch of the Government of India expressing concurrence, or otherwise, in the proposal?—No, so far as my recollection goes, there was a blue book published and there were a number of telegrams and despatches; but there was no despatch, so far as my recollection goes, in which the Government of India categorically opposed—no despatch of that character was there.

17,374. Did your Association make any further representation?—I have not finished the whole of the other answer.

17,375. Perhaps you will proceed, then? — The Association proceeded to say that at the same time it was expedient to contract payment in silver only, so far as it may be possible, of all liabilities and obligations which the Government may have to incur hereafter as well as salaries, pensions, and gratuities of every kind and nature; that, beyond the charges which entail loss by exchange which in all fairness should be borne by the British Treasury, charges such as those of the Aden Residency, the Persian and Chinese embassies, and other minor political establishments, should also be paid by England as well as rents, taxes and charges on buildings in London constructed at India's expense, besides other miscellaneous charges too numerous to mention; that the burden of the cost of the European agency was very heavy, as detailed in the table appended to the Memorandum; that a very large saving might be effected by the more extensive employment of natives in posts which are now filled by highly paid Europeans; that the annual migration of the Supreme Government to Simla was injurious financially and by reason of the length of the period over which it extended, the cost being, according to a Parliamentary return (26 August 1886), 7 lakhs, but it being generally believed it is actually considerably more; that the cost of collection of land revenue was growing larger, so, too, the customs and salt establishments also; that the cost of superior establishments in the P. W. Departments; and the cost of General Administration, too, had grown since 1870–1; that expenditure in the Bombay Presidency under various heads was large and susceptible of reduction; that it was imperative expenditure should be adjusted to income rather than income to expenditure; that the interests of India in expenditure were not sufficiently protected under the constitution of the Council of India in England, and there was much better protection in the time of the East India Company; that there was no sufficient barrier against official pressure in the direction of lavish expenditure; that it was the faulty system of administration which was at the root of the financial embarrassment, and that, therefore, fundamental changes should be made in that system, especially the gradual substitution on a large scale of native for European agency, without which it would be vain to indulge in the hope that any permanent relief could be afforded to the Indian Treasury. I beg to put in a copy of this memorial.

17,376. Your Association stated, then, that it was the faulty system of administration which was at the root of the financial embarrassments; and therefore fundamental changes should be made in that system, especially in the substitution on a large scale of native for European agency. That rather points to the assumption that at that time your Association was able to point out, and had its own views upon, the defects in administration, which, from your previous answers to me you do not feel in a position to formulate. They speak of the faulty system of administration being at the root of the financial embarrassments. Therefore, fundamental changes should be made in that system?—That is the principal thing.

17,377. But you observe the charge made by the Association is a very general one—"the faulty system of administration"; and that would point to something more than the fact that economy would be effected by substituting natives for Europeans?—The Association then considered that the system of administration was really faulty in this respect that an agency was employed which was very costly, and, therefore, all the burdens arose from that in the Military and Civil Departments.

17,378. Yes; but is that quite "the faulty system of administration"? Their way of putting it would rather lead one to think that the administration itself was faulty, whereas you observe that the remedy is one of substituting a cheaper form of labour. A cheaper form of labour hardly seems to cover such a general charge as "the faulty system of administration"?—That was the view which the Association took, that the system of administering the Empire was faulty in this respect. That there was this fundamental defect in it, that it was carried on by an European agency.

17,379. And, therefore, when the Association speaks of "the faulty system of administration" it is not at variance, you think, with your having no criticism or charges to bring against the system of administration by itself, apart from the fact that, if natives are employed instead of Europeans, much economy would be effected in your view?—I have pointed out what are the defects, which should be checked and controlled, in the system of administration, so far as the financial machinery goes.

17,380. I do not think you pointed them out in detail, did you?—In my evidence on the financial machinery certain defects in the system of administration were pointed out — that is particularly in the financial machinery.

17,381. However, perhaps you would not mind mentioning them again; I do not remember your bringing before us the specific points?—There is a financial defect in machinery of check and control; and that, of course, is "the faulty system of administration."

17,382. I do not remember your pointing out what the actual defect was; a criticism of that kind is a little too general? where is the check and control faulty; that is what I want to come to?—As I said in my evidence on the financial machinery, if the Finance Member is not well supported and if he is alone, he is not able to control one thing and another; expenditure increases and that sort of thing.

17,383. With reference to lack of control, you quote Sir David Barbour and Sir Auckland Colvin; and of course it is most important that the Finance Member should be well supported; but is it quite clear that Sir David Barbour and Sir Auckland Colvin did not lay too much stress upon this point? Lord Cromer is, of course, entitled to equal weight with those two gentlemen, and I do not think he agrees with them; and Viceroys of very different types, such as Lord Northbrook, Lord Ripon, and Lord Lansdowne, appear to agree with Lord Cromer rather than with Sir David Barbour and Sir Auckland Colvin. Do you think that it is quite just to omit all reference to their evidence, where it differs from Sir David Barbour and Sir Auckland Colvin?—*If* you will allow me to speak, it is this way. Different Finance Members have been under different Viceroys. Lord Northbrook himself was a very economical Viceroy; and Sir Evelyn Baring, now Lord Cromer, was then Finance Member. Their experience is not the same experience which Sir David Barbour and Sir Auckland Colvin experienced. The

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actual forward policy in the growth of military and civil expenditure began with Lord Dufferin; and during Lord Dufferin's time and Lord Lansdowne's time Sir David Barbour and Sir Auckland Colvin were Finance Members, Sir Auckland Colvin first and Sir David Barbour afterwards; and their evidence would tend to show that their experience was an entirely different one, of which Lord Cromer could know nothing, nor Lord Northbrook.

17,384. Lord Lansdowne agrees with Lord Northbrook and Lord Ripon?—Lord Lansdowne may agree, because Lord Lansdowne has himself, if Indian opinion is to be given, been a party to its growth.

17,385. (*Sir James Peile.*) And Sir James Westland agrees with Lord Cromer, so you have two Finance Members against two?—I have not Sir James Westland's evidence.

17,386. You will find it in Sir Henry Brackenbury's evidence before this Commission?—Sir Henry Brackenbury was a member of the same council as Lord Lansdowne.

(*Sir James Peile.*) He merely quotes what Sir James Westland said in a speech.

17,387. (*Chairman.*) You have quoted some of the evidence, but you have not quoted witnesses on the other side, and I want to bring before you that it does not do to rely too implicitly upon the evidence of Finance Members who take one view and ignore entirely the evidence of Finance Members that tends in the other direction, does it?—If your Lordship will refer to my evidence, I say that I agree generally with what Sir David Barbour and Sir Auckland Colvin said, not in every particular. The general result of their evidence is, of course, actually in consonance with Indian sentiments expressed on the subject.

17,388. But I still must recall the fact to you, that the opinion of certainly one of the ablest Finance Members India ever had—Lord Cromer—and of the present Finance Member does not agree with that of Sir David Barbour and Sir Auckland Colvin?—That is for the Commission to consider.

17,389. (*Sir William Wedderburn.*) I gather that Lord Cromer—that is, Sir Evelyn Baring—did not find it necessary to draw attention to any difficulty, because he was supported by an economical Viceroy and did not find the difficulty?—No.

17,390. And, in your opinion, Sir James Westland is not so anxious for economy that he will naturally come into collision with the Viceroy, who is rather inclined to large expenditure?—Just so.

17,391. So that in those two instances their experience is not the same; they have not felt it so much?—Yes.

17,392. (*Chairman.*) Supposing that the want of the power of control and check on the part of the Finance Member, which you support from Sir David Barbour's and Sir Auckland Colvin's evidence, exists, have you formed any view as to how the position of the Finance Member could be strengthened?—I have stated in evidence that with an economical Viceroy his position is very much strengthened.

17,393. That all the witnesses agree in?—It all depends on the selection of the Member himself; after all, as Lord Cromer himself has said, it depends on good selection. Of course, even apart from that, as I have said, however economical a Finance Member may be, or however well supported, still, for the purposes of better control, if the non-official element was allowed to vote on the budget and divide, that would be a very efficient way of having that control your Lordship is speaking of.

17,394. Of course the selection of men is a very difficult matter, and good Finance Members do not grow on every tree. When you say, as I understand you, that more care should be taken in the selection of Finance Members, do you mean to imply by that in any way that sufficient care has not been taken?—There are Finance Members and Finance Members.

17,395. Yes. At any time do you think that sufficient care has not been taken?—I am not in a position to reply to your question.

17,396. And it is a question that cannot be replied to, is it not? The difficulty of choosing a man is because men are not available generally; it is clearly, and it must be, the interest of the Viceroy and the Indian Government to choose the best men they can. Therefore, if the only remedy that can be suggested is more care in choosing the Finance Member, it is proposing an impracticable remedy. You have no reason for suggesting that due care has not been taken?—Very much will depend on the selection of the Finance Member. What I say is that more still depends on the concession which may be made to non-official members to discuss the budget.

17,397. Therefore, what you rely upon is to allow the non-official members of the Legislative Council more power?—Yes.

17,398. (*Sir William Wedderburn.*) Would it not tend to more independence in the Financial Member of the Council, if he were nominated from home? Would not an independent public man, rather than a man who is already in the permanent civil service of India, occupy a more independent position?—Yes, he would.

17,399. Like Mr. Wilson or Mr. Laing; they were appointed direct from England?—And Mr. Massey also later on.

17,400. And they occupied in some respects a more independent position—less dependent on the favour of the Viceroy—than a man who is a candidate for promotion in the Permanent Civil Service?—Yes.

17,401. (*Mr. Courtney.*) There is no rule now, is there, against a Finance Member of Council being appointed from home?—I do not know that.

17,402. The Legal Member is often appointed from home?—Legal members have also been appointed from the Indian Civil Service.

17,403. Sometimes, but often from home?—Yes.

17,404. It may be that the conditions of tenure are not sufficiently satisfactory to induce persons from home to accept the appointment?—In that case I should submit that the Indian public would prefer having a really trained independent man sent from England holding that position, because, after all, if there is to be a check on Indian financial control, if such a person could be had, India would prefer him.

17,405. And be prepared to accept the cost of the improved conditions?—The cost would be nothing compared with what such a Finance Member may save such a Finance Member may save millions of money by his economical way of administering the finances.

17,406. (*Chairman.*) That is rather a bold assumption, that an ignorant, however able, statesman going out from home, may be able to effect economies of millions. Do you happen to recollect—probably your memory does not carry you back to the time when Mr. Wilson went out to Calcutta?—I was a young man then.

17,407. Would you be surprised to hear that Mr. Wilson was criticised on his ignorance of India, and on measures which he took in order to bring about equilibrium of the finances?—I do not know anything about it.

17,408. If I remember rightly that was the case, and Mr. Wilson was a very exceptional case; it is very rarely that you find so competent a financier as he was available in England?—In a matter of this kind opinions will vary. Perhaps the official body in India would not like a statesman coming from England, and might try perhaps to minimise his services and say he was ignorant and all that sort of thing. We Indians might take a different view and say he was independent, because he introduced financial changes which the official body did not like, but which we approved.

17,409. (*Mr. Buchanan.*) Do you think there is a general desire on the part of the native Associations for whom you speak, that the Financial Members should be appointed from England?—So far as my own Association is concerned, and the views I have heard from other bodies, they would prefer if there was a trained man in public finance sent from England, who would view things from a fresh point of view altogether.

17,410. Is that one of the subjects which you are deputed to bring before this Commission?—Yes.

17,411. And to lay great stress upon?—Yes.

17,412. In the expectation of getting great economies from it?—Certainly.

17,413. (*Mr. Courtney.*) Are you charged with a resolution upon that subject, do you mean?—No.

17,414. Has that view ever been formulated at the Congress, or at meetings of any body?—They have spoken on the subject, but not formulated any special resolution on it.

17,415. (*Chairman.*) You mentioned the Finance Committee; what savings did the Finance Committee make?—It would be noticed from the memorial which I have

quoted that the Association had 11 years ago fully gone into the question of the large growth of expenditure, reviewed all the causes which led to it, and suggested economies and reduction. Though the Finance Committee eventually recommended savings in expenditure amounting to a little over half a crore, and although a portion of that saving was effected at the time, the subsequent increase in such expenditure has more than swallowed up the savings, and civil expenditure since has grown considerably along with the military. Therefore, the condition of Indian finance now is much worse than it was in 1886.

17,416. Have you any views to express upon the debt services?—Yes. Coming now to the heads of expenditure, I may remark as regards the public debt, that the rupee borrowings have increased Rx. 11,000,000, while the sterling debt has risen from 69,271,088*l.* in 1884–85 to 114,005,826*l.* in 1894–95, nearly 70 per cent. It should be borne in mind that every increase in sterling debt adds correspondingly to the annual interest charge. Sterling loans for public works of an unproductive character, such as military railways, are most objectionable. The Committee on the Home Charges has well put it (Parliamentary Return, 13th July 1893). "That the greatest caution "should be exercised in borrowing in England for public "works in India, especially as long as the rate of exchange "is so variable as practically to make of little value all "calculations as to the charge for interest. The conclu- "sion is supported by another important consideration. "The political inexpediency of adding to the charges to "be met from the revenues of India by payments made "in the country is very obvious, and in view of the feeling "in India on this subject, no increase of such charges "should, in our opinion, be increased, unless it be "practically unavoidable."

17,417. You are, of course, aware that this subject of borrowing in England or in India has been a subject probably more discussed here than almost any other subject connected with India?—Yes.

17,418. And that the form the borrowing has taken represents the mature conclusions of very high authorities of Indian experience on Indian finance?—Yes.

17,419. Do you say that they have been entirely wrong? Do you mean to imply that a mistake has been made in borrowing in England?—I do not mean to imply it at all; but Indian opinion generally is that, as far as practicable, money should be borrowed in India, so that we should only pay interest charges in rupees, as the burden of every sterling loan is greater.

17,420. I believe that Sir James Peile is more competent to put this question to you, but I have always understood that the conclusion to which the best authorities have come is, that, had they borrowed in India, in all probability the charge would have been higher. I put that point to you, bearing in mind at the same time, of course, that the fall in exchange no doubt contributed to make the charge heavier than it probably appeared to be when the loan was contracted. But I want to know whether you, or your Association, have come to any distinct opinion, that the course actually followed has been more expensive to India than it would have been to try to borrow in India?—How is that conclusion arrived at? I have no knowledge of how borrowing in rupees will cost more than borrowing in sterling.

17,421. It is a question that high authorities have given great consideration to; if you have not gone into it, it is a difficult matter for you to express a very decided opinion upon?—With all due deference to those high authorities, I may say that, if the particulars and details are brought to public notice, then, of course, we are in a position to criticise; we do not know, except your Lordship's word, that those high authorities have come to that conclusion; on what details or basis they have done so, we have no knowledge; therefore, we are not in a position to say one thing or another.

17,422. If your Association had gone into it, they would have been able to form an opinion, would they not, as to whether, first of all, there was capital in India available for lending to the Government at the rates at which the Government borrows; and, next, whether the rates at which the Government could have borrowed in India would have been lower, or not so low, as those at which we borrowed in England; those are points upon which Indian opinion would be able to judge?—If such a statement were put before our Association, we might then form a judgment one way or another.

17,423. If the Association are going to criticise, ought not the members to have examined the question and formed an opinion themselves, which they are perfectly competent to do, as to whether the borrowing of these large sums could have been done cheaper in India?—The question whether there is more capital in India—whether we can get it or not—is a question which has to be verified by independent investigation.

17,424. But who are more capable to have made that investigation than the members of an Association which exists almost entirely for the purpose of criticising the acts of the Indian Government?—Exactly; but all Associations do not go minutely every day into some of these particular questions.

17,425. But, until they have done so, they are hardly in a position to criticise very forcibly the acts of the Government, are they?—So far as we have known from the past results of sterling expenditure the cost is greater owing to exchange. We can form a common-sense opinion that it is better to deal in rupees than in sterling.

17,426. (*Mr. Courtney.*) Are you keeping the two considerations quite apart in your own mind? First, the differences—if there be differences—in the rate of the interest on loans contracted in India and those contracted here, and next, the large item of the variation of the rate of exchange?—Yes; exchange, if anything, has added rather to the interest charges than anything else.

17,427. Quite so; but if you dismiss that for one moment, and put out of consideration altogether the effect which the variation in the rate of exchange has had upon the annual charge on India, would you then, simply considering the matter of difference in the rate of interest in borrowing in India and in England, say that it was manifestly an improvement to borrow in India?—You cannot dismiss altogether the item of exchange, at the present moment. As far as expenditure is concerned, it is inseparable from it.

17,428. I admit that, but——?—If you dismiss that point, the question is this, whether India should borrow in the cheapest market—England or America.

17,429. Which would be the cheapest market?—That depends upon the state of the money market in the world for the time.

17,430. Have you any view which is the cheapest market?—If you want my view, it may be England.

17,431. (*Sir William Wedderburn.*) Your main wish is that the repayment and the interest should be in the currency which belongs to the country itself; that is your main object?—That is the Association's view, as already put down in the memorial.

17,432. Subject to that, you would like to borrow in the cheapest market possible?—Exactly; wherever it may be.

17,433. (*Mr. Courtney.*) That is not a final consideration. It would be much cheaper if we had contracted our national debt in rupees, although that is not the currency of this country?—That depends on what your Treasury Officer or Financial Minister thinks.

17,434. (*Chairman.*) But the first object is to make the cheapest bargain?—Certainly.

17,435. You would not have pleasure in paying in rupees, if it were shown that gold was cheaper?—That is plain enough.

17,436. What are your figures for the increase of the Army charges?—It may be as well to examine the growth under the several principal heads up to 1893–94, as I have not before me the new volume of Finance and Revenue accounts up to 1894–95 just issued. I am aware of the explanations given as to the increases. The Military Department must justify them. But having regard to the expression of opinion given by Sir H. Brackenbury (Q. 14,361–4) that expenditure, exclusive of exchange, has not much increased in India since 1885–86, I beg to submit the following table which shows the average annual growth of the expenditure from 1886–87 to 1893–94 under the head of effective services in India and England, exclusive of exchange, compared with 1885–86.

17,437. Pardon me, the basis from which you start is subsequent to the increase in the Army?—Subsequent to 1885–86.

17,438. In 1886–87 the Army had been increased?—Sir Henry Brackenbury spoke of the military expenditure up to 1885–86.

17,439. What I mean, is this, you show an increase in India of 1½ millions?—I beg your pardon, the correct table shows a minus of Rx. 118,870 in India, and in England an increase of Rx. 362,201.

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17,440-2. But it is clear that the beginning of the year 1886-87, was after the increase of the Army?—Yes. The table is as follows :—

No.	——	In India.	In England.
		Rx.	£
1	Army and garrison staff -	18,869	—
2	Administrative staff -	9,102	—
3	Regimental pay, &c. - -	784,320	347,158
4	Commissariat, &c. - -	1,268,592	120,630
5	Remount - - -	22,908	3,013
6	Clothing, &c. - -	110,383	-71,585
7	Barracks - - -	37,032	—
8	Administration of martial law.	11,530	—
9	Medical - - -	80,300	- 7,202
10	Ordnance - - - -	62,892	38,693
11	Ecclesiastical - -	846	—
12	Education - - -	3,883	—
13	Transport - - -	15,972	-72,286
14	Miscellaneous - - -	- 2,582,956	3,780
15	Volunteer corps - -	37,455	—
		- 118,870	362,201

17,443. That is a net increase of about Rx. 250,000 is it not?—Yes (or properly Rx. 1,247,726, if commissariat and miscellaneous are compared with 1886-87, as 1885-86 was exceptional owing to the Penjdeh expedition, &c.); army and garrison staff, taken year by year since 1885-86, has shown a steady increase. Regimental pay has risen from Rx. 6,841,956 to Rx. 7,877,608 in 1893-94. In England, too, the amount (exclusive of exchange) has gone up from 959,428*l.* to 1,070,454*l.* Commissariat shows a fluctuation. In 1886-87, after the additional troops were provided, which led to the charges of Rx. 3,054,189*l.* in India, and 35,970*l.* in England, there was a decline in India up to 1889-90, when the charges fell to Rx. 2,578,501, since that year they were as under; 1890-91 Rx. 2,633,637; 1891-92 Rx. 3,307,657; 1892-93 Rx. 3,251,886; 1893-94 Rx. 2,959,904. Clothing exhibited the same general tendency of regular increase from year to year. In 1886-87 the cost came to Rx. 69,546 in India till in 1889-90 it rose to Rx. 119,992. In the following year it jumped to Rx. 168,113 till in 1892-3 it stood at Rx. 171,187 with a slight fall in 1893-4. *Per contra*, there has been a diminution in England; while the decrease there in eight years, compared with 1885-86, is 71,525*l.*, the increase in India during the same period was 110,383*l.* So that on the whole there was an increase.

17,444. How did the cost of clothing in England and India compare; would you give me your figures?—The growth in the ten years in India was Rx. 110,383 and in England minus 71,885*l.*

17,445. Was the 71,885*l.* a minus quantity?—Yes.

17,446. It was a decrease?—Yes, it was a decrease. Administration of Martial Law shows a steady increase. Medical has risen from Rx. 607,504 in India to Rx. 680,599 in 1893-94, but has fluctuated in England from 21,639*l.* to 33,147*l.* Ordnance exhibits a large growth both in India and England, despite the fact that, according to Colonel Wace, the factories for arms and ammunitions in Bombay and Bengal are turning out larger stores than before. It seems that the savings obtained in local manufactures are more than absorbed by additional cost for increased ordnance of all kinds. Miscellaneous Services. This is a most extraordinary charge, for the reason that the Annual Revenue and Finance Account gives no particulars, while under all other heads particulars of small items of tens and hundreds are given. Here a lump sum is put down from year to year, averaging about half a million Rx. That such a large sum should be spent for which no detailed figures could be obtained, is much to be regretted from the public point of view. Only particulars of submarine mining charges, which are very small, are given. For instance, in 1886-87, the gross charges amounted to Rx. 620,706, while the accounts for that year give submarine mining charges at 5,593, and the remainder, 615,113, are put down as "Miscellaneous Services."

17,447. With reference to "Miscellaneous Services," is it not the fact that the miscellaneous services are largely made up of the charges of expeditions?—I think something of that sort was said in evidence by one of the witnesses, but there are no particulars given in the Finance and Revenue Accounts at all; there is not a single trace to show that these are for the Army expeditions from 1886-87 to 1893-94; all the books of the Finance and Revenue Accounts do not show any particulars whatever.

17,448. The "Gazette of India," I suppose, is a public document?—Yes.

17,449. I find in the supplement to the "Gazette" this statement:—The figures under "Miscellaneous Services" may be sub-divided as follows: Expeditions and special charges, accounts of 1894-95, Rx. 379,000; revised budget of 1895-96, Rx. 1,966,000; and (I suppose) the budget of 1896-97, Rx. 377,000, while other items, as far as the accounts go, are Rx. 95,000 and Rx. 74,000, showing that the other items are small; I turn over the page in this public document and I find the charges for the expeditions set out in detail, and that is followed by two paragraphs explaining the difference of charge under other heads of this "Miscellaneous Services" head of expenditure. I do not know that those explanations would quite satisfy you, but, as far as they go, they hardly justify your statement that no public document shows how the charge is made up?—I have been speaking in my evidence about this most extraordinary item that the Finance and Revenue Accounts give no particulars; the Finance and Revenue Accounts are the books to which everyone refers. It is very few people who take the "Gazette of India"; virtually all the people look to the "Statistical Abstract" and the "Finance and Revenue Accounts" as the *vade mecum* from which to draw their inspiration and their figures. If they do not find them there, where are they to find them?

17,450. This is the Appropriation Report. Anybody who is studying the finances of India, I think, you might fairly expect to refer to such an important document?—That is true; but I maintain that the Finance and Revenue Accounts Book is an authoritative book, and it is a compilation of all that appears in the "Gazette of India;" and, if the "Gazette of India" gives it, what is there to prevent its being put in the Finance and Revenue Accounts?

17,451. That opens another question. What I wanted to bring before you was that in a known document, very easily obtained, such as the "Gazette," very considerable details are given of this item?—That may be so. Volunteers: The charges under this head show a steady increase. They have risen from Rx. 84,642 to Rx. 177,446. As Indians are not accepted as volunteers, it appears that European volunteers are maintained mainly for the purpose of British supremacy. The charge in great part, therefore, should be borne by the British Treasury. Military Works and Special Defences: The point to be noted under these heads, apart from their doubtful utility, is this. That the cost of these works, which are supposed to last for more than a generation, is all charged to revenue. Thus the present generation of taxpayers bear the burden, when both sound finance and equity demand that it should spread over at least 25 or 30 years. I agree with Sir H. Brackenbury in the observations made in reply to Question 14,742, that India is the only country which has carried out such works without a loan, while every Continental nation has got an extraordinary budget for military works; and that at present, even in England, there are Bills before Parliament for borrowing money to carry such works.

17,452. Therefore, you would increase the borrowing for those purposes? I must remind you that you have been speaking of the difficulties of the present borrowing?—I have been speaking here, not of charging to revenue account, but that the charge should be spread over a number of years.

17,453. That is by borrowing?—It may be from revenue, you spend so much, and you debit to the revenue account so much for every year; but to charge to one year the whole of the cost of the military works of that year is, I say, a little hard on the present generation of taxpayers.

17,454. But I think Sir Henry Brackenbury was speaking in favour of borrowing?—Yes, he was referring to borrowed funds. I say that, so far as this particular work goes, it would be far better to spread it over a number of years.

17,455. You separate yourself from Sir Henry Brackenbury on that point; what you mean is, not to do as he said, to borrow, but to postpone the works, executing in 30 years, say, what the existing Government has done in one year?—I qualify in this way: if it is certain that revenue cannot afford to defray in one year the cost of the large military works which the Government thinks necessary, and if it is unavoidable to borrow, there is nothing to prevent them from doing it; but, so far as the revenue can bear the burden without any taxation, of course, if the amount is spread over several years, it would be better. It may be less than 30 years, then it would be all right.

17,456. What conclusion do you draw from this statement?—It will be seen from all that has been said in the foregoing evidence that military expenditure is most burdensome. It was said (A. 5210) that "the Army must be made an efficient weapon." But the efficient weapon may cost over much and far beyond the financial ability of those who provide the funds for it. The Simla Army Commission was more alive to the increased army charges from the taxpayers' point of view, when in its Report (see p. 11), it observed that there was some truth in the statement that hitherto "army reform in India has "been dealt with on the principle that India was made "for the Army and not the Army for India." There is no doubt that the effectiveness of the Army for purposes of external defence depends greatly upon the friendly attitude of the masses of the people towards the Government. Every measure, therefore, tending to conciliate the people and make them contented may be regarded as expenditure tending to increase the efficiency of the Army.

17,457. Have you any further remarks to make upon that?—Lastly, I beg to submit the following table of the cost of a soldier per annum in the armies of the great Powers of Europe and Japan, from which it will be noticed that the cost of a British soldier in India, which is given at 891 rupees (*vide* Parliamentary Return, 14th January 1894), but which, I think, comes to considerably over that figure, compares unfavourably with the cost of the soldier of the Continental armies:—

——	Strength of Army.	Cost.	Cost per Head in Rupees.
(1.) Austria -	334,717	140,179,699 florins	528
(2.) France -	559,524	591,457,151 francs	668
(3.) Germany -	585,574	541,507,000 marks	720
(4.) Russia -	868,672	284,379,994 roubles	800
(5.) Japan -	98,961	24,116,812 yens	648

The figures are taken from the "Statesman's Year Book" of facts for 1897.

A florin - - - = 1*s.* 8*d.*
A franc - - - = 9½*d.*
A mark - - - = 11½*d.*
6·40 roubles - - - = 1*l.*
A yen - - - = 3*s.* 4*d.*

The pound sterling is taken at an equivalent of 16 rupees.

17,458. When you say that those figures are taken from the "Statesman's Year Book," I suppose you do not mean that the conversion of them into rupees is taken from the "Statesman's Year Book"?—No; the cost is given in florins, roubles, &c., and I have converted those florins, &c., at their equivalent in sterling. For instance, 1*s.* 8*d.* make a florin. I have converted the florins into pence, and the pence into sterling value at 16 rupees to the 1*l.*

17,459. (*Mr. Naoroji.*) That is your own calculation?—That is my own calculation.

17,460. (*Chairman.*) In those cases where the currency is still silver it would probably be more correct to compare silver coin with silver coin?—For instance, Russia. I am only taking the present value of the rouble.

17,461. In order to show the comparative cost of the British soldier in India with the cost of the Russian soldier, you first of all turn the rouble into sterling, and then back from sterling into rupees. Would it not be better to compare like with like; the rupee is silver, and the rouble is silver?—6·40 roubles are equivalent to 1*l.* at present.

17,462. Yours is a lengthy calculation to make. I should have thought it would be easier to compare a silver coin with a silver coin?—It entirely depends on the way in which it is calculated.

17,463. You will observe also that in those countries which you name—I do not know about Japan—there is conscription?—Yes.

17,464. Have you sometimes heard conscription talked of as a blood tax?—That is according to what view each country takes of it; England, being a free country, almost hates conscription, I believe.

17,465. Would you like conscription in India?—I do not know that; I have not formed any opinion upon the subject.

17,466. But, at all events, conscription means a somewhat lower charge for the soldier, I believe, upon the remainder of the population?—I have only taken the figures; there they stand.

17,467. Have you any other representations, to name which you made to the Central Government?—Yes, I may at this stage mention that on 12th March, 1894, my Association made another representation to the Government of India on the occasion of the imposition of the import duty on merchandise, in which was reviewed the entire growth of military and civil expenditure to 1893, as well as of exchange. It was shown that though exchange was a disturbing element in Indian finance, it was not the principal one. The fountain sources of the embarrassment would be found in military expenditure in all its ramifications, as well as in the large growth of civil salaries and establishments, Upper Burmah, and the unjust, because indiscriminate, compensation allowed to the services. The Association had uniformly raised its voice against the growing expenditure on all these accounts. First the income tax was imposed, then the duty on salt was enhanced, and eventually the import duty was levied. Under the circumstances the Association begged leave to support its statement regarding the increases by means of a series of tables of official figures of the Army charges, civil charges and sterling remittances, and to prove that exchange was not the sole nor the principal factor, a statement which the British Committee of the Congress afterwards amplified on the basis of those figures. Further, the Association observed that another cause which had contributed in no small measure to the embarrassment was the exchange compensation granted indiscriminately to the service; that it was a matter of profound regret that while all other classes of the community were patiently resigning themselves to the currency legislation, in spite of acutely suffering more or less from its evil consequence, the servants of Government should have been allowed in such a financial crisis this allowance; that it was purely an act of false generosity at the expense of the helpless taxpayers of the empire, and as such was misplaced and altogether uncalled for; that the allowance was made in the midst of the financial difficulties of the Government, when it had no funds to provide for it save by means of extra taxation; that the plea of the services that they had to pay a less number of sovereigns as remittance home, and that they were unable to make both ends meet for the support of their families, was not borne out, as the purchasing power of gold had increased, and articles of domestic consumption and apparel were on the whole a great deal cheaper than what they were 10 years ago; that the Government had made no serious attempt at retrenchment, and that the sterling charges were allowed to grow; that, if the reserve power of the country to bear taxation was discounted in times of profound peace, it was to be feared the Government would find greater difficulty in meeting dire contingencies when they occurred; that under the circumstances the necessity of continually husbanding their resources should be the first care of Government, and next strict control over expenditure. I beg to put in this memorial.

17,468. And what reply did Government make to it?—The representation of our Association was slightingly referred to by Sir J. Westland, the present Financial Member, as almost all representations, however cogent, emanating from representative bodies, including the Congress, are generally treated by the Government. In the present case, however, it is satisfactory to notice that an eminent authority like Sir A. Colvin, an ex-Finance Member, in his contribution on "Indian State Expenditure," to the pages of the "Nineteenth Century," previously alluded to, confirmed the facts of the Association, as amplified by the British Committee of the Congress. He observed that "it was difficult to differ with a great "deal of what it has to say in the matter of expenditure." And the facts again were further confirmed last year, by so independent a financial journal of the highest reputation as the "Economist" in its issue of 25th July 1896, a copy of which I beg to put in. X

17,469. Are you speaking of the English "Economist"?—Yes.

17,470-1. I think you might give us, if you would, a summary of what the article says, instead of putting it in, if you have got it at hand?—Yes. In its article headed "Indian Finance" that journal observed that, "A year "ago, when expounding the Indian Budget, Lord "George Hamilton instituted a comparison between "the net expenditure in 1884–5 and 1894–5, and, commenting upon the increase shown to have taken place during "the interval, maintained that it was wholly due to the "fall in exchange. Instead of increasing, the administrative expenditure of the Government had, he maintained, "diminished. 'The Indian Government,' he said, "'although they have had to administer a much larger "'territory during that period, although 20,000 additional "'native soldiers have had to be added to the native, and

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" ' 10,000 Europeans to the Indian, Army, have been able " ' adequately to carry on all these additional duties at a " ' less cost than two years ago. I say that is a very " ' remarkable performance.' And certainly, if all this " had been accomplished, a truly remarkable perfor- " mance it would have been. But at the time we " ventured to challenge Lord George Hamilton's figures, " and endeavoured to show that, instead of having " diminished, the administrative expenditure had very " considerably increased." In support of its statement, the " Economist " gave the following table of net expenditure after meeting loss on exchange :—

NET EXPENDITURE after meeting Loss on EXCHANGE.

—	1894–95.	1884–85.	Increase or Decrease 1894–95.
Services of debt (excluding that charged to railways and irrigation.	Rx. 2,138,100	Rx. 3,281,400	Rx. −1,143,300
Military services -	20,654,800	16,107,400	+4,547,400
Collection of revenues	6,279,100	5,103,600	+1,175,500
Post office and telegraphs,	—	441,200	−441,200
Railways - -	2,348,500	1,051,800	+1,296,700
Irrigation - -	612,800	573,000	+39,800
Civil Departments -	12,764,000	10,262,100	+2,501,900
Miscellaneous civil charges.	3,686,500	3,247,400	+439,100
Famine relief and insurance.	610,100	1,548,400	−938,800
Construction of railways (charged against revenue).	19,600	263,500	−243,900
Buildings and roads -	3,664,700	3,473,200	+191,500
	52,778,200	45,353,000	+7,425,000

Commenting on the above figures, the " Economist " proceeded to remark as follows : " The fact is, that nearly " every branch of expenditure shows a more or less con- " siderable expansion. Apart altogether from loss on " exchange, the cost of the military services was fully " Rx. 4,500,000 greater in 1894–95 than in 1884–85. " Similarly, the Civil Services show an increase of nearly " Rx. 3,000,000, and so on throughout the list. Now, we " have no intention of arguing that these additions to " the expenditure have been either unreasonable or " unnecessary. Everywhere the cost of government " tends to increase, and it would have been wonderful " indeed if India had proved an exception to the rule. " That, in fact, was what made Lord George Hamilton's " assertion that, apart from exchange, India is now being " administered at a less cost than it was ten years ago, so " surprising as to incite to investigation. Inquiry goes " to show that it is contrary to the fact, and, as it is of " the utmost importance that on such a question Parlia- " ment should not be misled, an endeavour should be " made during the approaching discussion of the Indian " Budget to ascertain definitely how the matter stands. " Lord George Hamilton should then be called upon " either to prove or to correct his statement." And after the Budget was discussed in the House of Commons, the " Economist," in its issue of August 15, 1896, observed that, " it is noteworthy, however," that Lord George Hamilton " studiously refrained from any attempt to " justify the statement he made last year, to the effect that, " during the ten years ending 1894–95, the administrative " expenditure of the Indian Government, apart from loss " on exchange, instead of increasing, had diminished."

17,472. Have you any observation to make on railway expenditure ?—Coming now to railways, it may be observed that their accounts are, not only very complicated, but reach colossal figures. I give below the combined results of State and Guaranteed Railways :—

SUMMARY—In 10 years.

	Rx.
State Railways :	
Net receipts - -	- 69,209,897
Net charges - -	- 75,272,523
Loss - -	- 6,062,626
Guaranteed Railways :	
Net receipts - -	- 34,501,231
Net charges - -	- 42,312,231
Loss - -	- 7,811,000
Total loss in 10 years -	- 13,873,626
Average loss per annum -	- 1,387,362

17,473. Is that including exchange?—It will include exchange.

17,474. That is the total?—That is the total. The subsidised State Railways, and the miscellaneous railway expenditure worked out to a net loss of Rx. 989,333 during the decade, or a loss of Rx. 98,933 per annum. But the loss is smaller by Rx. 82,793 than what it was in 1884–85. The total net loss on railways for the ten years is, therefore, Rx. 14,862,959, or an average of Rx. 1,486,296 per annum. The above results, however, refer to the mere working of the railways. When all the financial factors, including interest on capital outlay, are taken into consideration, the results are different. To exhibit this, take the actual financial results as stated in paragraph 19 (p. 22) of the Parliamentary Blue Book, " Administration " Report on the railways in India for 1895–96."

1894–1895.

Losses.	Rx.
Guaranteed Railways - - -	1,504,138
State Railways, Military, open -	559,011
State Railways, Military, unopen -	88,853
State Railways, Commercial, open -	114,716
State Railways, Commercial, unopen -	251,678
Total losses - -	2,518,396
Gain.	
State lines leased by Companies -	− 856,557
State lines worked by Companies -	1,175,059
Apparent net loss - - -	2,199,894
Add other charges - - -	148,595
Total apparent charge -	2,348,489

Deducting certain charges in connexion with the East Indian, Eastern Bengal, and North-Western Railways, " the charge to the State," continues the Report, " during " 1894–95 in connexion with the entire Indian railway " system will stand at about 190½ lakhs of rupees." If interest on lines under construction were excluded, the charge for railways open to traffic would come to 145½ lakhs in 1894–95. It is, no doubt, true that the charges on account of the guaranteed railways, in terms of their contract, are very heavy indeed, specially owing to exchange, as interest on their capital has to be paid on sterling, also for surplus profits. It is observed in the report that " the " State has to continue to pay interest at the guaranteed " rates until the contracts terminate, and it is consequently " unable to obtain any advantage from cheaper money and " the improved credit of the country ; that is to say, where " the State could now raise money at a little over 2½ per " cent. to pay off loans raised at higher rates of interest it " has to continue paying interest at a high average rate of " about 4¾ per cent. on the capital raised by the Guaranteed " Companies ; and owing to the fall in exchange the " sterling interest charges, if converted into rupees at the " average rate for 1894–95, gives a percentage of over 7¾ " on the total capital raised, converted at the contract rate " of exchange. Had it been possible to remit the earnings " at the contract rate of exchange, the result to the State " of the working of the guaranteed railways would have " been a profit of Rs. 926,670 in the year 1894–95, " instead of a charge of Rs. 15,041,380 as shown above." Thus, owing to the burdensome conditions of the contract with the guaranteed railways, the State at present has to suffer until the period of their purchase or renewal on other terms arrives. Guaranteed lines besides, it must be observed that the State lines leased to companies, that is to say, Imperial lines constructed with capital raised by or supplied to companies under contract with the Secretary of State do not yet show any very encouraging results. Statement No. 2 of the Railway Administration Report already referred to shows that the working for 1894–95 was a loss of Rx. 856,557. These railways had a capital outlay of Rx. 34,603,797, on which, after paying interest charges, taking into consideration their net earnings, less the share paid to companies, there was the loss of Rx. 856,557 as indicated above. Again, according to Statement No. 3 of the same Report, the commercial railways belonging to the State, which were open for traffic or working, lost in all Rx. 114,716 during 1894–95, their total capital being Rx. 62,019,586.

17,475. At the beginning of your answer you gave a summary of the results for 10 years ?—Yes.

17,476. And shortly afterwards you gave a sample for one year, 1894–5 ?—Yes.

17,477. On the average of 10 years you showed an average loss per annum of Rx. 1,486,296, and you come

to the conclusion, in your subsequent table for the year 1894–5, that the total apparent loss, which I shall suppose was the equivalent of the average loss on the former table, is Rx. 2,348,000?—Yes.

17,478. Can you explain why there should be such a difference between those two tables?—Yes. The thing is, that the summary which I have taken is the summary from the Parliamentary Return, whereas the Administration Report, I presume, not only gives the net receipts and charges of working, but also goes into other factors, interest charge and land and other charges; and that, of course, makes all the difference; and my object simply in giving out the last report was to show that the Government of India itself thinks that these losses arise owing to the improvident conditions of the old contracts which entail heavy charges, but which, of course, when the contracts come to an end, might go to diminish the charges.

17,479. Still I do not quite understand, in that I see the charges on these railways, on the average of 10 years, appear to be of the kind that cover everything that is to be fairly set against the railways, how this loss and gain in 1894–5, showing such a very different result, is constituted?—It is the Administration Report which takes all these railways into cognisance, and I believe the reports which the Administration Report makes are on a somewhat different principle from the mere account which are put in the budget.

17,480. First of all, do you think that in the year 1894–5 there was a heavier loss on the railroads than there would be on the average? Of course, the figures out of which you get your 10 years' average would show that?—Yes. I may just refer to the figures. Since 1885–6 they have been going up, until in the two years, when exchange was a little more favourable, they went down. In 1891 they fell to Rx. 145,989; and in 1892 (Guaranteed Railways) to Rx. 332,228. After that, in 1893, 1894, 1895, they again went up. In 1893 the exchange alone was 1,290,000, in 1894 exchange was 1,400,000.

17,481. What was the total of the year 1894–5, which entered into the 10 years' average given in your first summary?—The total was this: net receipts were Rx. 3,000,000 odd.

17,482. 3,000,000?—Yes; those were the net receipts for Guaranteed Railways.

17,483–4. I have got net receipts for the 10 years: 69,000,000, giving an average of nearly 7,000,000?—That is taking all the State railways together. I have made the statement in this form: there are the Guaranteed Railway and the State Railways, and combining the result I have shown it in the form in which you have got it. State railways' net receipts were Rx. 69,000,000 in the 10 years.

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17,485. What were the corresponding charges to that in 1894–95?—For the State railways?

(At this stage it was decided to take the point regarding the railways at the next meeting).

17,486. I think the next question which we shall come to is that of the strategic or military railways. Perhaps I may put this as the concluding question for to-day: What have you to say with regard to strategic or military railways?—It is the State Military Railways which show a very heavy loss. The North-Western, with a capital outlay of Rx. 12,213,069, incurred a loss in 1894–95 of Rx. 559,011, while four unopened lines, with a capital of Rx. 2,568,508, lost Rx. 88,853. Thus there was a total loss of Rx. 647,864 on a capital outlay of Rx. 14,781,577. The enormous amount of the capital sunk in these military lines, and the loss they incur from year to year, needs the closest attention of the Commission. In reality the annual loss entailed by these military lines should be distinctly shown in the accounts as military expenditure. They are of a most unproductive character and must be condemned. Their strategic utility is openly doubted by even military experts, such as Colonel Hanna. In connexion with these railways it may be pointed out here, that in the capital outlay is included the sum of Rx. 436,900 for "frontier railway reserve material," besides a further item of Rx. 36,776 for "Peshawar railway reserve material." The first would refer, I believe, to the railway material lying at the farther end of the Khojak Pass for laying a line to Kandahar, about 100 miles, whenever the emegrency arises. The material has been there since the conclusion of the second Afghan War; I leave it to the Commission to consider the inutility of such expenditure, involving a heavy annual charge for interest, not to say aught of the deterioration of such material. Further, there is now in progress the new Bolan railway called the Mushkaf-Bolan. The old line is abandoned, and a new alignment made for a certain distance. No doubt it is owing to heavy floods that the course has been changed. All the same, it means so much more capital and also a little want of foresight in the first construction. Lastly there is a certain line under survey, namely, the Wazaribad-Mooltan railway.

The witness withdrew.

(Adjourned till Thursday next at 11 a.m.)

At the India Office, S.W.

FORTY-SECOND DAY.

Thursday, 8th April 1897.

PRESENT:

THE LORD WELBY, G.C.B. (CHAIRMAN, PRESIDING).

Sir WILLIAM WEDDERBURN, Bart., M.P.
Field-Marshal Sir DONALD STEWART, Bart., G.C.B., G.C.S.I.
Sir E. W. HAMILTON, K.C.B.
Sir JAMES PEILE, K.C.S.I.
Mr. T. R. BUCHANAN, M.P.
Mr. W. S. CAINE.
Mr. DADABHAI NAOROJI.

Mr. COLIN G. CAMPBELL *Secretary.*

Mr. DINSHAW EDULJI WACHA recalled and further examined.

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17,487. (*Chairman.*) Mr. Wacha, I think that in a paper which you gave me you stated the total loss to the State, according to your view, on the railroads from 1846 to 1894 was Rx. 60,689,000, did you not?—Yes.

17,488. Do you happen to know what was the state of the account on the railroads, the profit and loss account, on the last year?—The profit and loss on 1893–94?

17,489. Have you got the profit and loss on 1893–94?—Yes, my lord, I will give you that; and you asked me to find out from my own tables how far they tallied. I see they tally exactly, that is to say, the total loss to the State in 1894–95, as given in the Administration Report, is just the same.

17,490. I only mean for that one year—whichever is the latest year—for which you have the figures?—The net loss on railways for 1894–95, according to the Parliamentary return made out Rx. 2,348,489. The Administration Report, of course, divides it in a different way, but it

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comes to the same figures. In the Administration Report it is put down in rupees, and in my own figures, of course, it is in tens of rupees—Rx.; but they both tally.

17,491. Your figures tally with the statement in the appendix to the report which has been published?—Yes.

17,492. (*Sir James Peile.*) But there is a difference. In our Appendix, Table 28, it is Rx. 51,847,746, and you give Rx. 60,689,159; what is the cause of that?—I beg your pardon. My own figures that I gave first are the growth of the loss during the whole period from 1848 to 1894–95. Those are my first figures. Then I reviewed my own figures for 1894–95.

17,493. (*Chairman.*) I think, Mr. Wacha, yours are cumulative figures from 1848, are they not?—My total figures for the 10 years amount to Rx. 14,113,626, to which has to be added the loss on the subsidised railways of Rx. 989,933, making in all Rx. 15,103,589.

17,494. In answer to Sir James Peile's question, perhaps you would look at that return, which works up to the figures which he has stated, Rx. 51,000,000, and which also purports to date from 1848?—Yes, that is Rx. 51,000,000 net charge, revenue and expenditure, but that goes from 1875.

17,495. No; it goes from 1848?—Oh, from 1848?

17,496. I think so, does it not? It is in two divisions?—The net charge from 1848 to 1858 is one, and the second is from 1859–60 to 1874–75, and then it comes to the third part, which is up to 1894–95.

17,497. But I think the Rx. 51,000,000 is a cumulative total?—The Rx. 51,000,000 is a cumulative total.

17,498. Against your Rx. 60,689,159; can you point out how that difference has arisen?—In my former evidence, I stated that, taking some figures of the Railway Committee's table and following them up by the table of the losses incurred, as given in the annual Administration Report of railways for 1895–96, it would be found that the losses from 1848 to 1894 amounted to Rx. 60,689,159; that makes the difference to which Sir James Peile refers.

17,499. (*Sir James Peile.*) Just so; which I cannot account for?—Quite so. The particulars are given there. I have taken the earlier figures from the Parliamentary return, which I daresay is different. I mean from the East India Parliamentary Committee on railways in 1884. There is a table given at page 706–7. I have taken the figures for the guaranteed railways from the said table from 1848 to 1867–68, Rx. 17,643,438; then from 1868–69 to 1879–80; because after 1880 the East India railway account was separated, because it was purchased; therefore I have only taken the other figures for the guaranteed railways at Rx. 15,352,779.

17,500. (*Chairman.*) I think, Mr. Wacha, there is considerable difference between those figures in the appendix and your figures, and, without taking up the time of the Commission in endeavouring at this moment to work out the difference, I would suggest that you should speak to Mr. Jacob, and then you would be able, perhaps, to arrive at the reasons of the difference, which you can put in in a note to your evidence?—I shall have the greatest pleasure in doing so. I can only say this much, that all my figures are also derived from official statements, from Parliamentary returns, and from Administration Reports.

17,501. But you will be undoubtedly able to ascertain the reasons?—Yes, I will be able, with Mr. Jacob, to go through them.*

17,502. What in your opinion are the economic results of Indian railways?—As to the economic disadvantages which have resulted from the construction of railways, the most important is this, that, almost all the capital being subscribed by English capitalists, the entire profits are carried by them from the Indian revenues. About 5,750,000*l.* were thus carried away in 1894–95. Had the Government itself constructed all railways by borrowed capital, the net profits, after interest to the capitalists, would have remained in the country for its better prosperity. The economic fact of an alien rule always draining the resources of the subject country, was entirely lost sight of.

17,503. You have laid a good deal of stress upon what you consider the loss to India by railways; do you draw from that the conclusion that it would have been better to have left India without railways?—I do not mean to say that, but what I say is this, that partly from the economic disadvantages under the system under which Indian railways have been constructed——

17,504. If you had had the choice, may I take it that you would have preferred railroads even with the present loss, as you estimate it, to no railroads and no loss?—Certainly.

17,505. (*Sir James Peile.*) You do not overlook the fact, I presume, that the interest on capital used in making a railway is an exceedingly small matter as compared with the wealth which the railway itself secures to the country through which it runs?—The wealth the railway secures to the country is a difficult question to be answered.

17,506. Is it a difficult question? Take India?—Yes.

17,507. A country which is a great producer of raw produce?—Yes.

17,508. The essential requisite of a country of that kind is to have railways to carry its raw produce down to the sea for export, is it not?—Yes.

17,509. Then surely the making of a railway is the direct way of producing wealth to a country growing produce which it exports?—The produce which it exports does not belong to the country; the produce which it exports all belongs to the English merchants who are the exporters.

17,510. But how do you mean belonging to the English merchants? Do you mean to say the grower of wheat or cotton does not get the value of the wheat or cotton which he exports?—He does, but whether he derives much profit, or whether the grower himself has grown wealthier for it, is a very moot question.

17,511. (*Chairman.*) But you would allow, would you not, that opening fresh markets is an advantage to the grower wherever he is?—If the grower himself is benefited, of course it is an advantage.

17,512. The grower is not obliged to sell; he would not sell if it were not for his advantage?—The condition of the Indian ryot is such that he is obliged to part with the great part of his produce to middlemen, at a great loss sometimes.

17,513. But if fresh markets are opened up, he is almost certain to get a better price for his produce, is he not? It follows almost that, if you have three competitors where there was only one before, the seller must get the benefit?—That would depend entirely upon supply and demand.

17,514. Of course it is assumed that he has a certain amount of produce to sell?—Yes.

17,515. If a fresh competitor comes in, surely the grower must get the benefit of the competition?—But, as the bulk of Indian producers are agriculturists, their position is such that, notwithstanding that fresh competitors come in, they may make a loss instead of a gain.

17,516. (*Sir James Peile.*) How do you prove that? You make that statement; where is the proof of it?—The statement is this: We find large advances, for instance, in the Bombay provinces made by such firms as Ralli Brothers and other merchants to the ryots themselves, before the crops are even grown for the next year's advances, when of course the cultivators take a certain price. They part with their produce at a certain price.

17,517. It may be a very good price?—It may or it may not be; that is exactly a moot question.

17,518. You do not know?—Therefore it is difficult to say who gains by it.

17,519. (*Chairman.*) But that does not touch the point. That would be the case anyhow, as I understand, supposing there were no railroads and no market abroad for this produce; but the fact of opening up a fresh market by improved methods of communication surely must be an advantage to the grower, inasmuch as he gets a fresh purchaser?—Theoretically it may be.

17,520. (*Mr. Naoroji.*) What you mean is, that in the case of India those usual economic results are very much

* My figures were based partly upon the figures given in the memorandum and appended tables, printed as an Appendix to the Report of the Select Committee on East Indian Railways, 1884 (pages 704–709), and partly on the figures given in the Railway Administration Report for 1885–86, pages 28 and 29. I find that of the difference between my figure (Rx. 60,689,159) and the total loss given in Appendix 28 to the Commission's First Report (Rx. 51,847,746) about 44,000,000 are due to the double inclusion in my figures of losses for certain years, largely owing to the transfer of certain lines (the Eastern Bengal, Sind, Punjab and Delhi, Oude and Rohilkhand, and South Indian Railways) from the category of Guaranteed Lines to that of State Lines; while about 4,000,000 are due to the inclusion in my figures of the loss by exchange on capital transactions of Guaranteed Railways from 1848–49 to 1878–79. As regards this last item, I am disposed to think that it should be included when reckoning the total loss which the State has incurred in connexion with the railroads; I find, however, that for the years 1879–80 onwards there has been a net gain on the capital transactions of State and Guaranteed Railways which almost cancels the loss shown above in the earlier years. I do not, therefore, object to the loss to the State in connexion with the railroads being taken at the figure given in Appendix 28.

modified by the condition that a large quantity of produce goes out of the country for remittances for political payments, and for profits of merchants and others?—It does.

17,521–2. And, consequently, the people themselves do not derive that benefit from their produce; that is to say, the whole country does not receive the whole wealth, as any other self-governed country does where the result returns to the people themselves?—Yes.

17,523. (*Chairman.*) But surely that does not touch the point of the opening of a fresh market. There comes, in addition to the old class of purchasers, a fresh class of purchasers. It seems to follow that, as far as you get that competition, it must, in some shape or other, be an advantage and not a disadvantage to the grower?—It may or it may not be.

17,524. (*Sir William Wedderburn.*) Am I right in supposing that your point is, that the ryot is almost reduced to a position of slavery, or serfdom, to money-lenders and others; and, therefore, the additional markets do not help him much more than additional markets would have helped in the slave states of America to improve the condition of the slaves there?—Just so.

17,525. That the trade benefits go to a middle class, and not to the actual producer?—Yes.

17,526. Is that the nature of your argument?—Yes.

17,527. (*Chairman.*) And that is your broad statement affecting all the producing classes in India, that they are so in the hands of the middleman that the middleman imposes upon them what price he chooses? Your statement applies to all the producing classes in India from which you deduce this very sweeping conclusion?—To a large extent.

17,528. What do you mean by "a large extent"?—When your lordship asks me to state definitely and broadly that *all* the producers are so situated, I cannot do that, but I do say that the bulk of the growers in different parts of India are in that condition.

17,529. Is there any evidence in proof of that statement, that the bulk of the producers in India are in that condition? You are drawing a very important conclusion, which is so broad that I would put it to you that it ought to be based on some evidence or on some facts, and I therefore ask whether you are able to give us the grounds upon which you make such a statement as that?—The grounds are the practical experience which we have in the Bombay Presidency, as far as the merchants themselves and the producers are concerned, in reference to cotton, in reference to seed, and in reference to wheat.

(*Chairman.*) At all events, the result of it is that the larger part in your view of the producing classes in India are in no better position in regard to the sale of their produce than the slaves were in America. I am now applying the instance that Sir William Wedderburn did ——

(*Sir William Wedderburn.*) I was rather giving that as an illustration.

(*Chairman.*) But Mr. Wacha accepted your illustration.

(*Sir William Wedderburn.*) Yes, it was as an illustration, not as an absolute analogy.

17,530. (*Chairman.*) But he accepted your illustration?—The position is analogous.

17,531. (*Mr. Buchanan.*) But how far is it analogous? Do you mean to contend that the position of the ryot in India is really similar to the position of the slave in the Southern States? Do you mean seriously to contend that?—Well, it seems so from my own personal experience, so far as my knowledge goes, that the ryots at least in the Bombay Presidency are not making any great advance merely because they produce more and the middlemen take the advantage.

17,532. But the slave could hold no property; that is not true of a ryot, is it?—Well, a slave may not hold property.

17,533. (*Mr. Naoroji.*) The slave is taken care of by his master at least, and he is in the condition of being able to work; in the case of the people of India they are free to work, but they have very little work remaining. First of all, taking the railways; does not the whole profit or the net profit entirely go to European shareholders, because the natives cannot take or have not the wealth and capital to hold shares and to keep any share? And in regard to that profit, therefore, whatever increase, as Sir John Shore said, of produce may take place, under the political conditions the producer himself cannot be much benefited, or rather the profit is very much counteracted by the political and economic conditions of the people. Would you first say whether you agree with me in that?—Yes.

17,534. Then the next thing I ask is this:—the best practical proof is that the effect of the slightest drought, or the very sad condition the people are now in on account of the famine, are themselves a proof that the people must be in a very deplorable condition that they should not be able to tide over a drought, as they always are unable to; and we know that, whenever any drought takes place, famine is the result?—That is one strong proof.

17,535. That is a practical proof of the condition of the people?—Yes.

17,536. (*Chairman.*) Do I understand your view to be that there has been a considerable amount of loss through borrowing for railroads in England, which might have been averted if the borrowing had taken place in India?—Of course, if the borrowing had taken place in India, the profit would have been enjoyed by Indian capitalists themselves.

17,537. But I want to know whether that is your view, that the Government have been wrong in borrowing in England, and that it ought to have borrowed in India?—That would have been a preferable policy.

17,538. Do you think that the money could have been borrowed in India?—That entirely depends on the capital which India is able to give.

17,539. Yes, but you are suggesting that the Government was wrong in borrowing in England, and that it would have been better, if possible, to have borrowed in India for that purpose. I presume that, before you say that, you have considered whether it was possible to have borrowed in India?—Well, latterly only the Government have tried to have rupee loans for railway construction; and, so far as to the two new railways which have been put upon that basis, namely, the Ahmedabad-Parantij and the Tapti Valley Railways are concerned, all the capital has been found by India, 1 crore for the Tapti Valley Railway and a smaller amount for the Ahmedabad-Parantij Railway.

17,540. That does not quite answer my question. The expenditure on railroads in India, has, I think, been Rx. 246,000,000; do you think that that amount could have been provided by India?—If India had had the capital, it could have provided it.

17,541. Yes, but had India the capital?—But the economical condition to which India has been subjected by England for such a series of years, prevents it.

17,542. Pardon me, but that does not quite answer my question. You are criticising very fairly the English Government for the course it pursued in borrowing in England?—Yes.

17,543. And I gather from you that you think it would have been better if they had borrowed in India?—Yes.

17,544. The most important point is to ascertain whether they could have done so, and I assume that you have considered the question whether it was possible to borrow in India, because otherwise your criticism falls to the ground very much. I want to know whether you think that India could have found Rx. 246,000,000 of capital?—That is a point which I cannot answer at once.

17,545. You see it is an important point in the case, because, if India could not, it weakens your position, does it not? If India could not have found the money, I should be thrown back upon the question I asked you just now, namely, would she have been better without the railways at all?—The economical condition of India is such that she would not have been able to provide the capital.

17,546. We are dealing with facts. You are criticising the action of the Government and saying that they would have done better to have borrowed in India. The question is whether they could have done so; and, if they could not have done so, evidently the result must have been one of two things, either that they must have borrowed in England, for which you are criticising them, or they must have gone without the railroads. Now, I have understood from you that the railroads, you think, on the whole have been a benefit, and you would not have gone without them. Therefore, I would ask you, so far as India could not have found the capital, would you continue your criticism of the English Government for borrowing in England?—The railways could have been constructed upon whatever capital was in India and gone on slower; that might have been the case—not so rapidly.

17,547. But on the whole, do you think that India could have found Rx. 246,000,000?—This is a very large question, which I repeat I cannot answer at once.

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17,548. (*Mr. Naoroji.*) Do you not think that on account of the continuous drain, the political drain of the country, the people are so impoverished that they could not have supplied that capital, as the chairman very properly asks, and therefore it is contended that it is better to have it from England rather than not have it at all from the people; but then, the people being out of it, there is this additional economic disadvantage produced, that in addition to the political drain, they are commercially drained as well on account of this new capital coming in; if the people had not been politically drained, they would have been able to supply the capital themselves, and the other addition of foreign capital would have been so much benefit to India; do you not think so?—Yes, that is what I have already said.

17,549. (*Chairman.*) Have you not accepted now Mr. Naoroji's view, in which he said there was not the capital, whatever the reason may be; and, as we are dealing simply with fact, does not that modify your criticism on the English Government for borrowing in England?—Yes, for the reasons stated.

17,550. (*Sir James Peile.*) I think you are aware that the Government has, as far as practicable, adopted the principle that borrowing should be in India in rupees, while the gold value of the rupee is declining and not in sterling in England; has not that principle been frequently stated by the Government?—The principle may have been stated by the Government, but we are both borrowing in England and in India, and sometimes it is borrowed in England alone.

17,551. You gave us figures; I think you said as regards the public debt, the rupee borrowings have increased Rx. 11,000,000, while the sterling debt has risen from 69,000,000*l.* to 114,000,000*l.*?—Yes.

17,552. That you found fault with; you thought that that was an error?—What I have said is that the larger growth of the sterling loans adds to the charges of exchange.

17,553. You object to borrowing in England in sterling?—So far as it is possible to avoid borrowing in sterling.

17,554. Then you show there an increase of about 45,000,000*l.* between 1884–5 and 1894–5, from 69,000,000*l.* to 114,000,000*l.*; it is at page 30 of your notes?—Yes.

17,555. And you consider that these 45,000,000*l.* should not have been borrowed in England in sterling?—I did not mean to say that; I only pointed out the growth of the debt services, and said that the rupee borrowing was less and the sterling borrowing was more, and supported it by the statement of the Departmental Committee to the same effect.

17,556. But you pointed out that that was an error of policy, that sterling borrowing was more and rupee borrowing was less; you do not approve of the sterling borrowing, do you?—I do not approve of it so far; if it is impossible to borrow it in India, for the economic reasons already stated, of course you must borrow in England.

17,557. All you mean to say, then, is that you cannot help borrowing in England, you must do so; is that what you mean? Where you cannot help borrowing in England, then you must borrow in England and may unobjectionably borrow in England?—Where you cannot borrow in India, of course you must borrow in England.

17,558. Take this 45,000,000*l.* that you pointed out as the increase in sterling borrowing in 10 years, one very large item of it is in connection with the purchase of guaranteed lines, 21,000,000*l.*?—Yes.

17,559. Now, that necessarily was borrowed in sterling?—Yes.

17,560. Replacing sterling debt by sterling borrowing?—Yes.

17,561. With an advantage to the Government in the decrease of interest?—Yes.

17,562. You would not object to that borrowing in sterling, I presume?—Every borrowing that partly comes in such a way as to reduce the charges on the revenues of India is of course not to be deprecated.

17,563. You would approve of it. Then the second item is debt incurred by advances to railway companies in order to obviate direct borrowing by the companies at a higher rate. That again is to save interest. The amount of that is 7,504,000*l.*; that makes 28,000,000*l.* out of the 45,000,000*l.* Then there is a small item of debt incurred under Act of Parliament, 96,000*l.* Then there is the repayment of the 4 per cent. transfer loan, which is nominally a rupee loan, but, owing to the special rate for the payment of interest and for repayment of principal wholly in England, it was for all practical purposes a sterling loan; that is 1,301,000*l.* That makes nearly 30,000,000*l.* out of the 45,000,000*l.*, which you see was inevitably borrowed in sterling?—Yes.

17,564. To which, therefore, you would feel no objection?—Yes. Of course, so far as these borrowings did go partially to reduce the interest charges on the revenues of India in present circumstances, there was nothing to be objected to.

17,565. Then you would withdraw or modify your censure of the Government for having borrowed in sterling 45,000,000*l.*, while they only borrowed 11,000,000 in rupees?—I do not modify my statement; I only pointed out the growth of the one and the other. Of course, there are the causes of that growth; there nobody objects to the growth, and my point is mainly this, that so far as possible sterling loans may be avoided, as they increase the burden of exchange.

17,566. (*Chairman.*) Do you know at all what the current rate of interest in India is on the investments in which India invests generally?—The current rate of interest in India varies in various parts. In Bombay a large number of Bombay mill-owners are able to borrow in the open market, generally at an average rate of from 4 per cent. to 5 per cent. Of course, in the interior, where, perhaps, the capital may be less, lenders get a higher rate, ranging perhaps from 6 per cent. to 9 per cent.

17,567. Well, people who could command 4, 5, 8, or 9 per cent. would not be likely to lend to the Government at 3 per cent., would they?—No.

17,568. If, therefore, the Government would have to pay 4, 5, up to 8 or 9 per cent. for its loans in India, is it not cheaper to India that they should come over here and borrow at 3 per cent.?—As a matter of fact, the Government of India never borrowed at 9 per cent.; the highest rate at which the Government borrowed was 5½ per cent.; then it came down to 4½ per cent., and then to 4 per cent.

17,569. If you are going to rely upon the available capital of India for your loans, you will exhaust that gradually; and, if you are to confine yourself to India, you will have to pay the rates which Indians can get; if Indians can get 4, 5, up to 9 per cent., as you say, they would not lend to the Government at 3 per cent., would they?—Well, that would depend upon certain investors preferring Government loans, and investing at 3 per cent. or 4 per cent. only, and other people, of course, investing in other securities and trying to earn more; it will all depend upon the choice of the investor.

17,570. As a rule the Indians are not very great investors in the Government loans, are they?—No.

17,571. Therefore, in so far as India commands the better terms of this market, it is economical to India to borrow here, is it not? It must be more economical to pay 2¾ per cent. or 3 per cent. than to pay 4 per cent. or 5 per cent., must it not?—Yes, under present circumstances, if there were no exchange added on to increase the rate of interest, it would be well; but not with the increasing charge of exchange.

17,572. You think the increasing charge of exchange has raised the charge to India up to the full amount which would be charged by lenders in India?—If interest on sterling was charged at 3 per cent., and if there was not as much exchange as before, then, of course, the interest charge would not be heavy; but with the present exchange the interest charge increases a great deal.

17,573. You are aware that, as against the increased cost by the fall in exchange, on the other hand you have had the advantage of the English market, in being able to reduce the original rate at which the loans were borrowed?—Some of the loans have, no doubt, been reduced to 3½ per cent.

17,574. (*Mr. Naoroji.*) Why is it that India is not able to find the capital? What is the original cause of that? Is it not because of the large political drain which has taken place to this country?—Of course, that is at the root of the matter.

17,575. That is at the root of the matter, and, therefore, every evil consequence following from it must be traced back to that original evil?—Certainly.

17,576. Then you are also aware, I suppose, that there is a large amount of capital circulating in British India, which belongs to Native states?—Yes.

17,577. In Bombay alone you have a large number of firms employing nearly six or seven crores of rupees, which

entirely belong to merchants from Native states?—I know that there are Native states which do that sort of banking.

17,578. Not the States themselves?—No.

17,579. Subjects of Native states coming there and employing their capital there, like any other foreign capital, and carrying away the benefit of it?—Yes.

17,580. (*Chairman.*) I think the railway companies employ a large number of natives, do they not?—According to the return they do. As I have stated, at page 184, chapter XII. of the Railway Administration Report, is given a table of persons employed on railways. It is as follows:—

	No.
1. Europeans - -	4,692
2. East Indians -	6,698
3. Natives - -	270,047

Now, according to the Parliamentary Return of Salaries, dated 17th May 1892, there were in all 2,448 Europeans earning salaries of 1,000 rupees and upwards per annum. The total salaries came to Rx. 806,284. There were, however, only 895 Natives who earned salaries of Rs. 1,000 and upwards, and the total of these salaries amounted to Rx. 136,735. The salaries earned by Europeans in the employ of railway companies is another drain from the country.

17,581. Do those figures refer to railroads alone? Are the 2,448 Europeans, whom you mentioned as earning salaries of 1,000 rupees and upwards, employed upon railroads?—Yes, your lordship. The amount paid by Indian railway companies to European employés in India is shown in the Parliamentary Return, page 7; it shows the salaries of Europeans, total number 2,448; total salaries, Rx. 806,284.

17,582. (*Mr. Naoroji.*) Yes; out of the proceeds in any other country the people of the country get every expenditure that is disbursed on it. In the case of the railways in India, a large European body is employed, who take away, I think, something like Rx. 1,000,000 a year in salaries. This is a disadvantage to India, owing to the large employment of Europeans, instead of introducing as much as possible Indian agency in the management of them. Do you know that there was a return made formerly, I think at the instance of Sir David Wedderburn, I am not able to put my hand upon it, by which it would appear that there was nearly Rx. 1,000,000 of money given or spent on Europeans in salaries and in expenses here, as well as in expenses on the working bodies there, such as those of the directors here?—I am not aware of the return of which you speak.

17,583. (*Chairman.*) Are there any observations that you would wish to give us upon the subject of irrigation? Yes. It is satisfactory to notice that, on the whole, during the last 10 years, the major irrigation works which are constructed from general revenues for productive purposes are somewhat paying. There was an account on the wrong side up to 1888–9, but since that year there has been a fair amount to the credit of the net receipts. For the year 1894–5 the net receipts, after deducting interest on capital, amounted to Rx. 152,852. The minor works, which are still a net charge on the revenues, show an increase of Rx. 91,967 on an average compared with 1884–5. In that year the net charge was Rx. 610,173, but during the decade it averaged Rx. 702,140. At the end of the year 1894–5 (according to the statement of Mr. A. Becher, Officiating Accountant-General, Public Works Department, published in the "Gazette of India" on 17th October 1896), there were 46 projects, classed as major works, and 76 as minor. The capital outlay at the end of that year was:—

	Rx.
Major works - - -	31,731,986
Minor ,, - - -	4,849,733
or a grand total of -	36,581,719

There was a net profit, after paying interest on capital on major works, of Rx. 99,744. The percentage of net revenue of the year on the capital on major works was 4·08 per cent., and on minor works of 5·65 per cent.

17,584. Are there any works, or classes of works, which show losses?—It seems, however, that all irrigation works are not paying. Like the railways, many have incurred losses up to 1894–5. Taking them by provinces the broad results are as follows, after taking into account interest on capital outlay:—

	Gain + Loss — Rx.
Bengal - - - -	— 4,935,789
North-West Provinces and Oude	+ 1,366,411
Punjab - - -	+ 2,558,605
Madras - - -	+ 5,326,584
Bombay - - -	— 430,343

As far as Bombay is concerned, it may be stated that Sind made a net profit of Rx. 267,410, but all the works in Guzerat and the Deccan showed a loss amounting to Rx. 697,753.

17,585. (*Sir James Peile.*) Some of the works show a loss; but are not the works which show a loss, generally speaking, works which have been constructed in order to protect the country from famine?—Some of them may be, and some of them not.

17,586–7. But that is generally the case, is it not, that a work which does not succeed as a commercial work, is to protect the country from famine?—In the Deccan, of course, they are supposed to be protective—the Mulla and the Muta canals.

17,588. The Mulla and Muta canals are protective works, to protect that part of the country from famine, are they not?—I do not think they do; but, in spite of that——

17,589. That is not at all the question. The question was whether they were to protect the country, as far as they went, from famine?—They are considered as protective works, partly.

17,590. (*Chairman.*) Have you any views on the extension of irrigation? — Yes. After the evidence adduced before the Commission in respect of certain canals in the past, which had to be taken over from insolvent companies at prices which can only be considered most improvident and uncommercial, it would be idle to refer to such class of works, which have cost the taxpayers millions without any satisfactory return whatever. But I may be permitted to observe that in the present deteriorated condition of Indian agriculture, when there is not enough food grain produced per annum to fully suffice for the entire population, it is of greater importance to construct irrigation works than more railways. It should be remembered that even protective railways against famine, however largely constructed, would give no help to the people in famine stricken districts, whenever a serious famine of the intensity now prevailing may occur, if there were not an adequate surplus of grain to carry from one province to another. What is more essential is to stimulate the food supply. Irrigation, therefore, is of infinitely greater importance than railways. In some parts, undoubtedly, the big irrigation works have done mischief to the fertility of the soil and the health of the population. It is, however, not large costly works, which cannot pay even the interest on the borrowed capital from which they are constructed, that are wanted. My proposal is to dot those parts of the country which generally suffer from insufficient rain or drought, with numerous wells which may cost from 50 rupees to 500 or 1,000 rupees each, at the utmost. Madras boasts of many such wells, built anterior to the advent of British rule. If irrigation by wells, and other equally cheap modes, were put into practice, it would entirely change the surface of the soil in a few years, and at a considerably less cost.

17,591. We have had some evidence with regard to the taking over of canals from what you have described as insolvent companies?—Yes.

17,592. You say they cost the taxpayers millions without any satisfactory return whatever; do you know at all what the figures were that worked up to such a large total as that?—No.

17,593. You do not?—There is some statement, made in the evidence of one of the witnesses, giving an account of how the Orissa and all those other canals were taken up.

17,594. That is what I am alluding to. My recollection of the evidence is that the criticism, which is a perfectly fair one to bring forward from the critic's point of view, spoke of the loss; but I do not recollect that it amounted to millions taken from the taxpayer?—If I were to refer again to the witness's statement, I would be able to show exactly what the figures were.

17,595. Perhaps to avoid misconception on that point, if you find that they are millions, your statement will stand; if not, perhaps you would modify the statement?—Yes. I might state the exact figures.

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17,596. I think that would be advisable?—Yes.*

17,597. (*Sir James Peile.*) Then there is another statement there which I must challenge: "In the present "deteriorated condition of Indian agriculture, when there "is not enough food grain produced per annum to fully "suffice for the entire population." What proof have you of that fact?—Well, there have been many statements made in the newspapers on the subject.

17,598. Statements in the newspapers?—I myself went into some calculation some time ago that, taking the famine report——

17,599. But one moment. You are not speaking of the famine report; you are speaking of an ordinary year, any ordinary year. "In the present deteriorated condition "of Indian agriculture, when there is not enough food "grain produced per annum to fully suffice for the entire "population"?—Yes. The Famine Commissioners' report did give the area under food grains in 1876–77, and I went into the figures on the basis of the Statistical Abstract, which contains the area now under cultivation, and, taking the difference between them and the differences of the crops per acre of all the food grains, I found that there were something like 29 lakhs of tons less produced to feed the population of the whole of India at present existing.

17,600. It was a paper calculation of that kind; and in spite of that the people continue to live?—It is well known, according to the official statements themselves, that people do live; but they are insufficiently fed, and many people go without one full meal a day.

17,601. Without one full meal a day?—Without one full meal a day.

17,602. (*Chairman.*) Your view is that the production of grain in India is barely sufficient for the population in an ordinary year?—Just so.

17,603. (*Sir James Peile.*) And in the present year, when an enormous area of India has not produced more than one-half its ordinary crop, has it been necessary to import grain from outside the Indian Empire to feed the people?—Certain provinces have a surplus which goes to other provinces to feed the people.

17,604. Oh, certainly; that is all within the empire?—But, of course, we can only know from the official statements later on how much food has been imported.

17,605. But you are aware that many provinces always have a surplus?—Not all the provinces, so far as I have been able to see them.

17,606. I said "many" provinces?—There are provinces where millet and other things do not suffice for the food of the people. For instance, in Bombay I found from the statistical returns that a good deal of millet generally comes partly from Rajputana, Hyderabad, and from native states and other places, in order to give the annual supply to Bombay for the whole military and civil population.

17,607. Exactly. Well, the Bombay people are growing cotton and wheat, and oil, I suppose, for export?—That may be so. We are speaking here of the food grains.

17,608. (*Chairman.*) But of course Bombay is an enormous city?—I am speaking of the Bombay Presidency, your lordship.

17,609. But you would expect in the Bombay Presidency, that in a city like Bombay, which ranks amongst the first cities of the world in population, there must be a large import of food, which the people themselves could not possibly grow?—I was giving only an instance, in answer to Sir James Peile, to show that some of the provinces would produce less and some more, and part of the surplus would go to feed another province. But this is only so far as my own examination of the food area goes.

17,610. From your own experience you think there are not sufficient food areas in India for the population; but that is an argument which might not be generally accepted, and upon which, you will admit, there is room for separate opinions?—There may be.

17,611. Now I take it from what you say, that your view would rather be in favour of extended irrigation works than of extended railways?—Comparatively.

17,612. Putting the two things together, and supposing that there is only a certain amount of money to be lent out in India, would you tell us how, as between railways and irrigation, you would divide the outlay? Of course I am not asking you to put down sums. I want to get your view as between the two classes of works. One criticism which you would make upon the Government of India is that it now pushes the railway system too quickly, is that the case?—That is the general opinion of all Indians, that we are rather going at too fast a pace with railways, and that we might do something more for irrigation.

17,613. Therefore, without stopping the expenditure on railroads, your policy would be to spread the expenditure on railroads over a longer number of years?—That is to say, to spend on railway construction a little less and on irrigation a little more; not that the railways should be entirely stopped.

17,614. Then here again comes in the question which we have been discussing, namely, the provision of money. Supposing, whether it is irrigation or railways, a considerable amount of money is required (and we are all agreed that these works, whether irrigation or railways, are desirable), are you entirely opposed to the borrowing of money in England? Or, within such limits as may be prudent, would you say, "I think these works are very "important, whether they are irrigation or whether they "are railways, and, if we cannot borrow the money in "India, we had better go on with them and borrow in "England"?—Well, that depends upon the view which the Government of India takes of the irrigation works it constructs from year to year.

17,615. But I want to get at your view, not the view of the Government of India. You have been saying here that you would extend the irrigation works, and I should gather from your evidence that you prefer the irrigation works, as being of greater utility to the natives than the railways?—Yes.

17,616. And I want to find out whether I correctly understand it to be the case that, in your opinion, that would involve a retardation of the railway works—I will not say a cessation of them: is that your view?—Well, it may partly retard, not wholly.

17,617. Yes; that is to say you would execute a given number of miles of railway in a longer number of years?—Yes.

17,618. That would be your view?—Yes.

17,619. And you would lay greater stress then upon irrigation?—Yes.

17,620. And then comes the question whether for railways or irrigation, within that amount and for those objects which you approve of, you would sooner that the Government borrowed in England than not borrow at all?—Under the present conditions?

17,621. Under the present conditions?—Yes.

17,622. Would you now give us your views as to the increase of expenditure in Civil Departments?—Coming now to what are called Civil Departments I may just summarise the growth of the charges under the various heads during the decade, compared with 1884–85:—

	Increase. Rx.
(1.) General administration	152,001
(2.) Law Courts	190,178
(3.) Jails	48,868
(4.) Police	817,353
(5.) Marine	116,913
(6.) Education	120,779
(7.) Ecclesiastical	640
(8.) Medical	85,498
(9.) Political	25,513
(10.) Scientific, &c.	22,018
Total	1,579,761

17,623. (*Sir James Peile.*) Would you tell me whether that total shows the increase of the average charge of the decade compared with the actual charge for 1894–95, or how is it?—Yes; the actual charge.

17,624. (*Chairman.*) So far you are not acting upon the principles, which you have advocated, of taking an average?—These are the increases averaged for the ten years.

17,624*a*. Over the ten years?—Over the ten years, yes.

17,625. (*Sir James Peile.*) The average for the decade?—Yes.

17,626. (*Chairman.*) Have you anything to say as to their necessity or their non-necessity?—In reference to all these charges justification has been given, but, as a non-official, I have no means to judge of the necessity or otherwise of the increases in the several departments. It may be that they were needed for greater efficiency. At

* The amount was about Rx 2,750,000. (*See* Q. 8998.)

the same time there are some matters on which criticism may be ventured. General administration is divided into two heads, that in India and in England. The Indian charge has increased by Rx. 63,711, and the English by Rx. 20,218.

17,627. (*Sir James Peile.*) Those two do not make up 152,000*l.*?—Yes; because I have not here added the exchange for the English charges. The Indian charges for the ten years are 63,711, and the English charges 20,218. If you add the exchange charges, Rx. 68,071, then the whole comes to 152,000.

17,628. (*Chairman.*) But the exchange would only apply to the English charge of 20,000*l.*?—Yes.

17,629. No; it would apply to the total?—Yes, it would apply to the total; the Indian charges' average growth is Rx. 63,711 purely; there is no exchange there. With the English charges the actual growth is Rx. 20,218.

17,630. But the increase of the exchange will be upon the total sum?—Yes.

17,631. I want to get what the total sum in England was?—The total sum of that will be 88,289 *minus* 68,071, = 20,218.

17,632. And, therefore, it would be the difference upon that 88,000?—The total Indian charge is 63,711 — the growth.

17,633. Well, that is not affected by exchange?—That is not affected by exchange.

17,634. And the English?—The English charge, the actual charge, adding Rx. 68,071, will come to Rx. 88,000.

17,635. What was the actual charge with exchange in 1884–85 of the English portion; have you got it there?—The actual charge.

17,636. With exchange?—Yes; in 1884–85 it was Rx. 292,016.

17,637. The English?—Yes.

17,638. (*Sir James Peile.*) Rupees?—Rx.

17,639. (*Chairman.*) Rx.234,930?—Rx.234,930 was the English charge actual, and the exchange was Rx.57,086 according to the Parliamentary return.

17,640. You said the English charge in 1884–85 was——?—Rx. 234,930.

17,641. That is including exchange?—No, excluding exchange, Rx. 234,930; and the total with exchange came to Rx. 292,016.

17,642. Now, will you give us your average for the ten years?—The average for the ten years——should I give the total including exchange?

17,643. Yes, please?—The average will be Rx. 380,305; that will make up the Rx. 88,000 to 89,000 which I have been speaking of.

17,644. That clears up the matter; would you go on?—Yes. In the Indian charge there is a very large growth; under the sub-head "Secretariat" almost all the provinces, as well as the Government of India, increased their charges. As a result, the cost, which was Rx. 338,031 in 1886–87, rose to Rx. 394,912 in 1893–94. As to Secretariat charges, I have to refer the Commission to the Minute of Sir C. Aitchison about the increase in the Financial Department (*see* Appendix 2, Vol. II., p. 35.)

17,645. Are there any other points under the head of administration upon which you would offer any criticism?—Yes, the tour charges of the Viceroy. The tour charges of the Viceroy need to be greatly curtailed. They work, besides, to the disadvantage of the taxpayer by residence for eight months at Simla. What was once a retreat for two or three months during the hottest part of the year is now virtually the seat of government for the major portion of the year. All India, European and Native, has condemned what is called the Simla exodus. All the heads of the departments under the Government follow suit, and thus a most mischievous practice has grown up of staying on the hills. Since writing this evidence I find, in the Bombay papers and other papers, that now there is an agitation against this Simla exodus—that the Viceroy and the Government should go there. Even at the present moment this exodus is criticised severely, specially while famine is raging in important parts of India. Sometimes important legislation of a far-reaching character, needing the presence of non-official members, is required. But, owing to the Government residing there, they are not summoned. A most glaring instance of this was found when the amended Currency Act was passed, on 26th June 1893. No non-official member save Sir James Mackay, who was favourable to the Amending Act, was present. The non-official native members had no opportunity to explain their views. This is a great political evil.

17,646. Do you not think it an advantage in a country like India that the Viceroy should see something of India?—Seeing something of India is different from staying on the hills for eight months of the year.

17,647. No, you would reduce the tour charges, as I understand?—The tour charges include Simla.

17,648. In the tour charges is included the charge of going to Simla; therefore your criticism does not apply to the tours undertaken by the Viceroy in visiting different parts of India?—Of course, if he visits different parts of the country for the people's good, there is nothing to be said; but this is more against staying in Simla.

17,649. (*Mr. Buchanan.*) Do you object to the tour charges of the Viceroy apart from the Simla migration?—No; not to those tour charges, where, of course, a Viceroy goes to see the different provinces.

17,650. (*Chairman.*) Well, is Indian opinion entirely united upon the subject of the residence of the Viceroy? Is there not some difference of opinion as to whether the Viceroy should be what I may call provincialised at Calcutta all the year?—Not so far as my knowledge goes; and I have read a great many newspapers, and the criticisms continually going on on the subject.

17,651. Indian opinion would prefer that the Viceroy should reside all the year in an extreme corner of India, in Calcutta?—Indian opinion says that the Viceroy might go, during the hottest part, to Simla, as Lord Lawrence used to do, for some months, but not for the whole year—eight months, I mean.

17,652. Is it not the fact that Simla is a more central position than Calcutta?—Simla is further away from the plains, where the people are, than Calcutta is.

17,653. Are there not more central portions of India than Calcutta?—I mean to say that in Calcutta—the capital of India—of course the Viceroy is more or less, you see, in contact with the people; but, of course, at Simla he is not.

(*Chairman.*) From a glance at the map of India, I should hardly have called Calcutta a central post of India.

17,654. (*Sir James Peile.*) Simla is in immediate touch with the Punjab, which is a most important province, and with the north-west frontier?—But you see that the viceregal party is more or less at Simla, therefore there is a great deal of frontier activity. There has been criticism in the papers; they say that Simla makes the mischief and causes war on the frontier; and that is the reason why so many frontier expeditions go forward.

17,655. Therefore you admit that Government is more in contact with an important part of the frontier at Simla than it would be at Calcutta? The Government is more immediately in contact with an important frontier and an important province at Simla than it would be if it were at Calcutta?—Nearer the frontier, no doubt. Simla is nearer the Punjab; but, certainly, it is not nearer to the different provinces of India, we say.

17,656. (*Chairman.*) Surely it is nearer?—It is nearer the Punjab.

17,657. (*Sir James Peile.*) It is nearer the North-west Provinces, is it not?—It may be.

17,658. Central Provinces?—Of course, as you go down southwards the distance will be greater. If you take Madras, which is at the greatest distance, and the Central Provinces, which are at a lesser distance—all the same the whole distance of the plain—you see, taking the whole of India together, Simla is far away.

17,659. I do not agree with you at all. If you look at the map you will see that that is not so; it is like the centre or the nave of the wheel; the Punjab, the North-west Provinces, and the Central Provinces, are on the spokes of the wheel. Then I would like to ask you another question; if you wanted an European to work efficiently and well and vigorously all round the year, would you put him down in Calcutta during the hot weather and the rains?—As a matter of fact, judges and barristers and European merchants all work in Calcutta in the hot weather and the rains.

17,660. I think, as a matter of fact, the European merchants generally leave Calcutta in the hot weather and rains; and certainly the High Court Judges, whenever they can, do so?—The High Court vacation in the Calcutta Court begins about August; that is about the end of the rains, and the session again begins in November or December.

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17,661. The vacation begins?—In August—the middle of August—or in September.

17,662. Well, and the Judges generally go away, do they not?—At that time they go; but at that time the rains are almost gone.

17,653. Are you under the impression that the Government of India go up to Simla to play or to work?—What is said is this, that it would be far better for Government to remain nearer, say in Calcutta, than remain for eight months at Simla. That is the general complaint.

17,664. Are you aware that the greater part of the work of the Government of India, the hardest part of the work of the Government of India, is done at Simla?—That may be so; but still, as a Government, the whole staff of Government, if they were nearer the people, and, of course, tried to understand the views of the people, it would be far better; that is the complaint of the whole Indian population.

17,665. You have put the residence at Simla down at eight months, is that correct?—Well, they go there generally at the end of March and remain there till the end of October; that would be seven months, from seven to eight months.

17,666. (*Sir William Wedderburn.*) I think that the complaint is that the Government of India is not sufficiently in touch with the people?—Yes.

17,667. And the general belief is that going away to the hills for a large portion of the year increases the evil?—Yes.

17,668. And rather brings the Government of India strongly under the influence of the Punjab officials, who are more interested in frontier enterprise than in the domestic needs of the people; is that the nature of public opinion in India?—Yes.

17,669. (*Sir James Peile.*) What officials might those be?—Frontier officials.

17,670. You mean the military commanders?—Whoever they may be, both civil and military.

17,671. (*Mr. Naoroji.*) It entails also a very large expenditure, does it not, this removal of a large staff to Simla and back to Calcutta every year?—It entails expense.

17,672. It entails a large expenditure?—Yes.

17,673. And in Calcutta the Government would be a great deal more, as it were, amongst the people themselves than it is when aloft on the heights of Simla?—Yes.

17,674. (*Chairman.*) Have you any criticism to make on the Law and Justice budget?—Under Law and Justice all the sub-heads show a great increase. High Courts, &c., show an increase from Rx. 314,423 in 1886–87 to Rx. 347,195 in 1893–94. Law Officers' establishments have risen from Rx. 64,419 to Rx. 96,045. Civil and Sessions Courts from Rx. 63,955 to Rx. 68,199. Criminal Courts from Rx. 901,645 to Rx. 1,004,886. This branch of the administration could be more economically and efficiently managed were native agency still more extensively employed in substitution for European. Great complaints are made as to the efficiency of the police, and the reason is that the higher appointments are almost all reserved for Europeans. Therefore, there is little prospect for police subordinates, and the best class of men are unwilling to enlist in the force. With proper arrangements native officers of police should be obtainable, bearing the same high character for ability and integrity as the class which furnishes the subordinate judges. If almost all the district judges, civil and criminal, were trained native lawyers, a great saving could be effected, while judicial administration could be greatly improved. The Public Service Commission has borne ample testimony to the good work done by the native judiciary. In this connexion I may observe that there is now a consensus of opinion, not only among Indians, but among English lawyers of reputation and authority who have served in India, that the administration of criminal justice, which is at present not very satisfactory, should be improved by separating judicial from executive and magisterial functions. In Bombay the Honourable Mr. P. M. Mehta, a trained barrister of 29 years' standing, and most fully conversant with criminal justice, more than once brought his scheme of reform to the notice of the Legislative Council, but to no purpose. The scheme is not at all costly, though the question of heavy cost is brought forward as an excuse. I can produce some extracts from the proceedings of the Bombay Legislative Council to show what Mr. Mehta's scheme is.

17,675. Can you put it shortly?—Yes.

17,676. Then perhaps you would do so?—Extract from the speech of the Honourable Mr. Phirozshah M. Mehta, LL.D., at the Bombay Legislative Council, held on 27th July, 1893 (*vide* proceedings of the Council of the Governor of Bombay for making laws and regulations, Vol. XXXI.):—"The total cost of criminal courts is "Rs. 12,66,000. Out of this amount Rs. 10,19,662 are "brought from land revenue head, being half portion of "the salaries of assistant judges, mamlatdars, &c. What "I venture to suggest is that, instead of employing "assistant collectors and mamlatdars to do criminal work, "that work might be transferred to a body to whom "such work would be congenial and harmonious—I mean "the subordinate judges. I contend that it is discordant "work so far as revenue officers are concerned. If the "work were entrusted to a body to whom it would be more "appropriate, namely, the trained subordinate judges, "there would be a considerable saving effected in the "budget in the cost of revenue and criminal work. This "would hardly be the time to go into all the details of the "account, but I would illustrate my remarks by taking "one district, viz., Poona. There are eight talookas in "Poona, to look after which there are three assistant "collectors, three first grade, and one assistant collector "with no magisterial powers. Their salaries are Rs. 900, "Rs. 700, and Rs. 400 respectively. Then there are nine "mamlatdars having first-class powers on Rs. 200 each, total "Rs. 800; and five with second-class powers on salaries "between Rs. 200 and Rs. 150, total Rs. 850. The total "of all these mamlatdars is Rs. 1,650 per month. I have "some personal working of these courts. On the whole "the assistant collectors and mamlatdars certainly do not "devote anything like even two full hours per day to "criminal work; they are not able to do it. If all this "criminal work intermittently done by these men was "made over to subordinate judges, who are trained "officers and competent to deal with it, the cost of "criminal work would be reduced in this way. I would "abolish one of the three assistant collectors, *i.e.*, Rs. 700, "and cut down the mamlatdars by half, *i.e.*, Rs. 825, total "Rs. 1,525. Against this I would suggest the employ-"ment of three more subordinate judges for the district "on Rs. 300 a month each, viz., Rs. 900. This would "give a monthly saving of Rs. 625, or Rs. 7,500 a year. "This would not only secure economy, but increased "efficiency, for the work would be done by better trained "judicial officers. There would also be another advantage. "We know at present that assistant collectors have to call "the accused and witnesses in cases on their files to "follow them to their camps over long distances. This "is a very great hardship. . . . Then again the evils "of associating criminal and revenue work would be "mitigated."

17,677. Was that brought before the Legislative Council?—Yes; and the answer, given by Mr. Birdwood, a member of the Council, was that it was not practicable.

17,678. (*Sir James Peile.*) There was more than that given, was there not? Did not Mr. Nugent give a considerable number of reasons against it?—Yes, Mr. Nugent gave some answer too; but I think that that was in reference to the number of judges.

17,679. That they have got their own work to do already?—Yes.

17,680. (*Chairman.*) It has been admitted, has it not, that the separation of judicial and executive functions would be expensive?—That is the view of the Government.

17,681. That might be over-ruled, of course, by the necessity for the change; but you would admit that it would involve expense, I suppose, would you not?—Well, according to the scheme propounded, it is just possible that without any increase in expenditure the separation might be effected; that is the view of native lawyers so far as I have known them personally in my city.

17,682. (*Sir James Peile.*) What would you do with the office of Collector and Magistrate of the district; how would you provide for that?—Well, I am not a lawyer to answer that question; I am not in the position to answer it.

17,683. It is not a lawyer's question at all; it is an executive officer's question?—I have no official knowledge of the executive work, and, therefore, I am not in a position to say anything upon the subject.

17,684. I am afraid you have not thought the thing out?—I have only put forth what the native view is, and that of a trained lawyer like Mr. Mehta.

17,685. (*Chairman.*) You are relying in this instance upon the evidence given by a trained lawyer, Mr. Mehta, who, you consider, has a right to speak in the matter?—Yes.

17,686. His opinion is entitled to weight?—Yes.

17,687. (*Sir William Wedderburn.*) The change involves a transfer of duties rather than an increase of duties?—Yes.

17,688. And, therefore, it does not appear that any large additional expenditure will be necessary?—Yes.

17,689. (*Chairman.*) Mr. Mehta said that it would save money, did he not?—In his own speech he said that.

17,690. Is there any other remark upon this point that occurs to you?—There are also certain other economies proposed by the Finance Committee with regard to certain appointments in the High Court of Bombay. For instance, the placing of the Clerk to the Insolvents' Court on a fixed salary instead of allowing him fees which now come on an average to Rs. 3,000 a month, very nearly the pay of a High Court judge. The post can be easily filled by a competent native on Rs. 400 to 500. But in this case for ordinary routine work the incumbent is still permitted to draw fees equivalent to the pay of a judge who does hard brain work.

17,691. Now passing to the Education budget, have you any remarks to offer upon that?—As to education charges all I can say in this place is that the expenditure is very illiberal. There is a loud cry all over the Empire that the Government spends very little on the education of the masses, a very large proportion of whom are illiterate. The total expenditure under this head in 1884–5 was Rx.1,035,496 including local cesses. During the succeeding ten years it was on an average Rx. 1,156,275. The increase was Rx. 120,779.

17,692. (*Sir James Peile.*) Was that gross or net?—That includes the local cesses; I think it is net.

17,693. It is net?—Yes, but it includes local cesses. The increase was Rx. 120,779. The late Sir Alexander Grant, Director of Public Instruction in Bombay, observed that, if the Government gave only 2 per cent. of its gross revenue per annum for purposes of education, it would achieve a great progress in matters of education. As a matter of fact, it spends only 1 per cent., and that for all kinds of education, while a very large portion of the population is ignorant of the very alphabet.

17,694. That is gross revenue, is it not; you have taken the gross revenue, have you not?—Yes.

17,695. You have compared the net expenditure with the gross revenue?—I am giving the opinion of Sir Alexander Grant on the subject.

(*Chairman.*) I think Mr. Wacha is passing on to a somewhat different point. He first of all points out what the expenditure was, and then he proceeds to bring out what a European officer thinks should be the expenditure.

(*Sir James Peile.*) Quite so; but he is showing what percentage the net expenditure is upon the gross revenue.

(*Chairman.*) I see what you mean. Quoting Sir Alexander Grant, Mr. Wacha says, as a matter of fact, that Bombay spends only 1 per cent., he thinks.

17,696. (*Sir James Peile.*) The total charge for education, as compared with the gross revenue, is more than 1½ per cent.; that is what I want to bring out?—If it is 1½ per cent. Millions are thrown away on bootless frontier expeditions and fireworks, for which monies are always forthcoming, but not for the education of the masses. Great Britain spends 8 millions sterling per year on 36 millions of the population. But for the 220 millions of British India, the Indian Government spends very little indeed. Every rupee spent on education will eventually serve to drive out ignorance and superstition from the country, and bring the masses into closer attachment with British rule. In short, the more India is educated, the greater the strength and security of the British Indian Empire. I beg to point out to the Commission that the Indian Government now derives a revenue from the drink traffic of over 5½ million Rx. from the masses. It comes to four annas per head of the population, roundly speaking, while it spends only a little less than an anna on education.

17,697. Say 1½ anna, will you not?—Well, it does not come to that.

17,698. (*Chairman.*) I should like to understand somewhat more what the proposition of Sir Alexander Grant was. He wanted to give up 2 per cent. of the gross revenue for the purposes of education?—Yes.

17,699. Do you know what that 2 per cent. of the gross revenue would amount to?—Of course if you take the budget at 95 millions, as it was last time, it would come to 1,900,000.

17,700. (*Sir William Wedderburn.*) I think these observations of Sir Alexander Grant were made more than 30 years ago?—In 1865.

(*Sir James Peile.*) It was merely an *obiter dictum.*

17,701. (*Mr. Naoroji.*) But, whatever weight you attach to his opinion, it would represent at the present time, you would maintain, an expenditure of something like 2 millions a year?—Yes.

17,702. (*Sir James Peile.*) And the net expenditure in the last ten years was 1,156,000?—Yes.

(*Chairman.*) You draw a distinction between net and gross.

(*Sir James Peile.*) Certainly; net is after deducting fees and receipts of all kinds.

17,703. (*Chairman.*) And it does not appear really what Sir Alexander Grant meant by 2 per cent. of the gross revenue, that is, whether he meant it to include fees; it is rather a vague statement on his part, is it not?—Generally speaking, he said 2 per cent. might be spent on education, especially elementary; that was his point.

17,704. And I suppose you would mean that that should be a Government contribution out of the revenue, apart from fees and incidental sources of revenue?—Yes.

17,705. Have you anything to say upon the miscellaneous civil charges?—Miscellaneous civil charges also show a great growth under the following sub-heads compared with 1884–85:—

	Increase.
	Rx.
Territorial and political pensions - -	−113,197
Furlough allowances - - -	41,047
Superannuation and pensions - -	716,120
Stationery and printing - - -	18,271

Superannuations and pensions. This, too, is a growing charge. The pensions in India increased Rx. 15,465 on an average of the 10 years over the figures of 1884–85. In England they increased Rx. 251,708, exclusive of exchange, which increased by Rx. 454,605.* The total net charges increased Rx. 716,120. The fact again demonstrates the costly character of the foreign agency and the heavy drain of the country's wealth every way disadvantageous to India from the moral and material point of view.

17,706. Have you anything to say on the famine relief grant?—Famine relief and insurance. As far as protective railway expenditure goes, there has been, on an average, Rx. 558,849 less incurred per year than was the case in 1884–5, when Rx. 946,457 was expended. On protective irrigation, too, Rx. 169,010 have been annually less expended. A prolonged and unpleasant controversy has raged round this grant, and the Indian public, despite all official explanations, have maintained that the fund has been tampered with in spite of solemn assurance. But, apart from the controversy, it is a fact that for three consecutive years, owing to increased military activity in Upper Burmah and elsewhere, the amount expended was very low—

	Rx.
1886–87 - - - -	309,020
1887–88 - - - - -	91,408
1888–89 - - - -	78,336

In 1889–90 and 1890–1, Rx. 600,000 were expended. In 1891–2 the sum applied was Rx. 1,268,319. In the following two years it was Rx. 1,116,103 and Rx. 1,117,801 respectively, while in 1894–5 it was again reduced to 610,235. I do not agree with the contention put forward on behalf of the Government that it is only when a surplus is available that the grant could be given. For, as a matter of fact, there have been grants when there were deficits also. In 1884–5 there was a deficit of 386,446, yet the grant was maintained in the accounts at 1,548,357. In 1892–3 there was a deficit of 832,412, and yet there was a grant of 1,116,103. In 1893–4 there was a deficit of 1,546,998, and yet Rx. 1,117,801 were made available. These stern facts entirely disprove the plea put forth that the grant could only be made when there is a surplus. The Indian public has never understood it in that sense. The sense in which it has been understood is this, that it was to form an ordinary item of expenditure, for which a tax was specially provided. Even supposing, for argument's sake, that the understanding was inaccurate (which I

* The figures for India and England given above allow credit to the Indian charges for certain receipts collected in India (such as subscriptions to medical, military, and civil funds), which are levied with the object of meeting charges incurred in England. Also, in the interval between 1884–85 and 1893–94, certain funds have been taken over, with the result that charges formerly incurred in India (in the shape of donations to the funds) are now paid in England (in the shape of direct payment of pensions). Allowing for these, the net charges have increased by Rx. 116,000 for Indian pensions, and by Rx. 146,000 or English pensions, apart from exchange.

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deny), sound finance alone demands that this item should be considered as an ordinary recurring expenditure, at any rate till such time that the necessity for it exists. There can be a surplus only in the true sense of the term when all normal expenditure is provided for in the budget. The partial suspension of the famine fund in the past cannot therefore be excused. Far better to declare at once that the grant will be available whenever it suits the Government rather than apologise for its partial suspension in the absurd way that it has been done in the past. Lastly, it is impossible to understand on what principle Indian Midland and Bengal Nagpur Railways are considered to be protective railways, so that the interest due on their capital should be paid out of the Famine Fund. Both are commercial railways, and it is surprising that the interest charge should not be carried to the railways proper constructed out of borrowed capital.

17,707. Does not your evidence assume certain points which are not all granted by the Government? As I understand it, the contention of the Government has been that a certain provision should be made against famine. It was not an undertaking that for all time a fixed amount of revenue should be put apart for that purpose, but that, according to the discretion of the Government, certain sums should be put aside; and, when according to their view a sufficient amount of work has been done to meet the purpose of famine insurance, then it was open to them to reduce the amount; and in consequence of that they have deliberately reduced the amount, because they do not think that more is necessary. If that is the Government case, would you maintain that, when the responsible Government thought that enough has been done, and that a smaller sum would suffice for the future, the Government was nevertheless bound to spend money, which it did not think necessary, on a famine insurance fund? Is not that what your evidence comes to?—It appears, judging from the condition of the present famine, that this Rx. 1,500,000 should be maintained.

17,708. Now the Government are putting away or putting aside one million, are they not?—They have not always put aside regularly the Rx. 1,500,000, as I have already pointed out here.

17,709. As I understand your argument, it is that, whatever the state of Indian finance, there has been some implied bargain between the Government and the Indian public that 1½ millions should be set aside for famine insurance every year; and that there has been some kind of breach of faith, if the Government has not put aside that 1½ millions?—That is the general view.

17,710. But I do not think that there can be any breach of faith in that case, if the Government think that it has done enough in this particular case and that a million will do; why should it burden the Indian taxpayer with a larger sum than on its own deliberate conclusion it thinks necessary?—Because, when the Indian famine fund was established, there was a special tax established, and that tax continues. If the Government think, as a responsible Government, that less money ought to be spent, then, of course, the tax ought to be modified or entirely remitted.

17,711. When was the tax imposed?—It originated in the licence tax, imposed in 1876–7.

17,712. I think I gathered from some evidence you gave that in the interval a very large remission of taxation has taken place?—Yes; in the salt and import duties in 1882.

17,713. First of all?—Yes.

17,714. And since that, again, there has been an increase of taxation?—Yes; the licence tax was converted into the income tax in 1886–7.

17,715. Therefore have not the conditions been somewhat altered? It is very difficult to say now, considering the necessities of Indian finance, that the licence duty remains in the same position as it did originally?—Well, of course, in a matter of this kind there are differences of opinion; the Government holds one opinion and the people of India, on the basis of what occurred in 1876–7, hold another opinion.

17,716. I am not in the least demurring to your statement in its main features. I think it very right and fair that you should put this before us. I only want to bring out distinctly what the difference between your view and that of the Government is; and also I want to ascertain the ground of this apparent idea of a breach of faith in the matter, because, as I understand it, you think that, though the Indian Government, rightly or wrongly, think that sufficient has been done, they are still bound to place upon the Indian taxpayer a charge which they do not think necessary?—The Indian taxpayers consider that this is a charge which might be rightly put against the revenues. Of course, as the Government object is to limit, as far as possible, the horrors of famines to come; therefore, so long as the necessity exists that this fund should be continued, the Government ought to continue it; for that purpose the Indian people are willing to bear this special taxation, as it were.

17,717. Then your opinion would be—of course, it is a perfectly fair opinion to hold—that the famine fund is not large enough, and that, that being the case, the Government ought to impose a charge upon the Indian people larger than that which it thinks necessary?—We do not say that Government should charge to the revenue account a larger sum than what it annually does; the complaint is that the 1½ millions are not regularly charged, and that, whenever the exigency arises, it suspends the famine fund, or only partially charges it to the revenue; that is the complaint.

17,718. But the Government do not think that 1½ millions are necessary; and, that being the case, would you think that a Government ought to impose a charge upon the people which it does not think necessary?—Well, that is the Government point of view.

17,719. But then I want to bring out the difference of the view which you are expressing from that of the Government?—Yes. The people consider that, bearing in mind that famines recur now and again, and that the country is still not sufficiently protected; therefore it would be far better that the famine fund should be a charge on the revenue from year to year, as it is now, unless it is proved that the necessity has entirely gone by and that it might be entirely left out of the revenue charge.

17,720. You differ from the Government in thinking that sufficient precaution has not been taken, and that, therefore, the Government ought not to reduce this sum by Rx. 500,000; and for that purpose you would increase the expenditure; but I must add you have been telling us that the expenditure of India is extravagant?—This is an expenditure for a popular purpose; the people themselves are prepared to bear it to protect themselves from famine. There are kinds of expenditure—on education, as I have said—that the people would like to see greater: savings could be made on other expenditure; the people would be very glad if more expenditure on education and famine purposes might be made available.

17,721. (*Mr. Naoroji.*) Is it not the case that the increase of taxation that was made on the ground of this famine relief fund is continually raised, and yet it is not applied to the particular purpose for which it was commenced to be raised; is it not the case that there is an additional revenue raised, that the revenue that was originally intended for this particular purpose is continued to be raised but not applied for the purpose to which it should be applied?—That is the view which the Indian public take.

17,722. (*Sir James Peile.*) What is the taxation which was raised expressly to provide the famine relief grant?—At first it was a licence tax, which was commuted into an income tax in 1886–7.

17,723. Taxation is always imposed by legislation, is it not?—Yes.

17,724. Is there anything said in the legislation of the licence tax to the effect that that tax belongs to the famine relief grant and to no other purpose?—Well, at the time the legislation took place on the subject, this was the declaration, that for the purpose of famine a licence tax will be imposed.

17,725. Do you know whether there were any other Acts passed at that time for raising money in connection with famine?—There may have been.

17,726. Do you know that there was one in the North-West Provinces for raising local rates, and another in the Punjab in the year 1878?—I have no knowledge.

17,727. And do you know what the preamble of those Acts said?—I know nothing about them.

17,728. It was to this effect: Whereas, in order to defray the expenditure incurred and to be incurred for the relief and prevention of famine, it is necessary to make a permanent increase in the annual revenue, and it is accordingly expedient to provide in the territories administered by the Lieutenant-Governor in the North-West Provinces for the levy on land of rates, in addition to those applied now to local purposes, and so on. You see the object of the Act there is to raise rates so as to amplify the annual revenue, to make a permanent increase in the annual revenue, on account of the expenditure devolving on the Government in connection with famine relief, so that the

purpose is, you see, to strengthen the revenue; the proceeds of the tax are not put aside entirely for famine relief, but simply devoted to strengthening the general revenue?—That may be the Act of the North-West Provinces.

17,729. Now, are you aware that at that time the Famine Commission recommended the construction of a certain number of railways, in order to prevent suffering from famine—what are called protective railways?—Yes, the Famine Commission recommended them.

17,730. And are you aware that all those railways have now been constructed?—Well, I do not know what was the list provided by Government, and what they have done since.

17,731. But perhaps you will take it from me what they have done; I think one is not finished yet, but they are all either constructed or under construction?—Yes.

17,732. Well, in that case you do not require to keep up the fund, or rather the provision of surplus revenue, which was largely applied to the construction of these railways?—But if, as you say, some of these protective railways for famine are not constructed it is very necessary to keep up the fund.

17,733. I said that they were, I think, all, except one, finished and working?—Yes.

17,734. If that has been done, and if the money is all spent upon them which was required to make them, is it necessary to keep up that provision of a surplus revenue which was made in order to construct those railways?—But here again, I repeat, the fund is for the purposes of famine; not only protective railways should be constructed but there should be irrigation works also.

17,735. Well, but that also has been done out of the same fund?—Then it is only a question of difference of opinion between the Government on the one side and the Indians on the other side, who still think that there is room for constructing other works of famine, and, therefore, a need for maintaining the fund.

17,736. You are aware that in 15 years 17½ millions have been provided and appropriated as famine relief grant?—Yes.

17,737. And the Government of India have now, after carefully considering the question, come to the decision that 1 million instead of 1½ million is sufficient to be provided for that purpose?—Yes.

17,738. (*Sir William Wedderburn.*) At the time that these special taxes were imposed, did not Sir John Strachey say that they were to be used as a famine fund, which was to be a sacred trust, to be spent on this particular object and none other?—Yes.

17,739. And, when a remonstrance was made to Lord Lytton by a deputation that the people were not satisfied that this money would be so applied, did not Lord Lytton rebuke them severely for doubting the promise of Government that this tax should be applied to famine relief and famine prevention and to nothing else?—So I read in the speech of Lord Lytton. Yes.

17,740. And on that account the people consider that an agreement, as suggested by the chairman, was made between the Government and the people with regard to the application of these taxes?—So it has been understood by the Indian people.

17,741. (*Mr. Naoroji.*) Do you know that there was a departmental committee, I think, upon the question, of which Lord George Hamilton was the chairman, and that they agreed upon a report to the effect (I speak from memory) that this fund should be so treated that it should be applicable only to purposes of preventing famine or famine relief; are you aware of any such report?—I have no recollection myself of it.

17,742. (*Chairman.*) What are your views on the exchange compensation allowance?—There is absolutely no reason for the Indian Government to impose, on the one hand, a further burden on the taxpayers, and, on the other, simultaneously give more to those who were already in the enjoyment of very liberal salaries, salaries which have no parallel in any part of the civilised world. That there was no legal obligation to allow this compensation has been fully admitted by the Government of India, and specially at the expense of the taxpayers, as if the latter did not suffer also from the burden of exchange, and as if they did not contribute to help the State to cover the loss arising from it. But objectionable as it is, there is no validity even in the reason assigned, namely, that civil and military officers have felt it a great hardship to remit monies home for maintenance and education of their families in England. In the first place, the Government is not bound to take this plea into consideration. Secondly, the patent economic fact of the increased purchasing power of gold seems to have been totally ignored. If the officers have less sovereigns to remit for the equivalent in rupees, their families are able to buy more of all domestic goods. It will be seen from the table in the Presidency Association's memorial of 16th March, 1894, put in by me, that the prices of almost all articles of domestic consumption and wearing apparel have greatly fallen since 1884. And my inquiry since my arrival in London would seem to inform me that house rent even in so dear a place like London has fallen. In the teeth of these facts it was a gross act of injustice to the Indian taxpayer to impose fresh burdens on him for the sake of the services. Nothing has created greater dissatisfaction than this measure, so arbitrary and worthy only of Oriental despotism, regardless of the poverty-stricken condition of the people rather than that of a just Government as the Government of India purports to be. But for this there would have been no necessity to re-impose the import duty on merchandise, and the sooner this financial injustice is removed the better.

17,743. Looking at the evidence you have given us on the increase of expenditure generally, may I ask you whether you have arrived at any conclusions on the strength of the facts so stated, which you would like to place before us?—From the foregoing examination of the progress of expenditure it will be evident to the Commission:

(1.) That the financial embarrassments which prevailed during the decade owe their origin principally to the enormous growth of military expenditure, which has led to the imposition of additional taxation, which now amounts, including the customs duties on cotton goods, to nearly 6 crores.

(2.) That the growth in civil expenditure is also very considerable. But so far as this is concerned there is not much cause of complaint save in one respect, namely, that the costly foreign agency absorbs a large portion of the revenue which could be considerably saved if there was more extensive employment of Indians in the higher grades of the administration. It may be observed that adequate civil expenditure of a productive character is much to be desired. I mean such as gives the taxpayers a fair *quid pro quo*, such as education for the masses, more efficient administration of justice, greater village and town sanitation, and all other works of public utility which contribute to the expansion of provincial resources and prosperity of the people.

(3.) That the burden of exchange might easily have been borne, without resort to fresh and enhanced taxation, had the military expenditure been on the basis of 1884–5.

(4.) That a similar growth, if allowed to go unchecked in future, is liable to plunge the Government into fresh embarrassments, leading to further taxation, which is neither desirable in the interests of good and stable government, nor in the interests of the people, among whom there prevails sullen discontent, inasmuch as their capacity to bear further burdens has been greatly crippled. The Secretary of State writes imperative despatches for strict economy, and for exercising utmost care in public expenditure, for the danger of increasing the burdens of taxation has to be borne in mind. (*Vide* Despatch 12th April, 1888, Vol. II., Appendix, p. 141; Despatch of 3rd November, 1892, Vol. II., Appendix, page 154.)

These warnings seem to fall on deaf ears, and Secretaries of State do not enforce what they enjoin, and the despatches only remain pious intentions. At any rate the Commission must have noticed how in spite of them expenditure has grown apace. Since 1892 taxation to the extent of about 3 crores has been added, while the military activity beyond the frontiers was even greater in consequence of the acquisition of Gilgit, which ultimately led to the occupation of Chitral at a cost of 1½ crore and with a permanent annual charge of 25 lakhs! The State Secretary himself is a silent or originating party to this kind of expenditure, so that it may be truly observed that the despatches are practically of no effect, and that both the Secretary of State and the Government of India must be held equally responsible for that expenditure.

It is a well-known fact that India has no true surplus to speak of. It lives at the best from hand to mouth, and is oftener than not in a condition of embarrassment from which it relieves itself only by windfalls or borrowing or by enhanced taxation which every time that it is imposed diminishes the capacity of the taxpayer, whose income does not exceed Rs. 27 per annum.

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From 1849–50 to 1894–5 there has been a net deficit of 37·62 million Rx. In other words, during the 46 years' Indian finances have exhibited an annual deficit of 800,000 Rx. on an average. The most essential fact seems to have been invariably lost sight of, that India is made a poor country by the "bleeding" it has been subjected to, and can, therefore, have but a poor revenue. That a system of administration, however well-meaning, which takes no cognisance of this essential fact but goes on adopting a western system of Government, a system of an alien Government in which the people have no voice and which is besides known to be costly, must in the long run end in financial disaster, however long it may be coming in. I go further and say it is a system unnatural and foredoomed to failure. Under the circumstances Indians cannot but view with the gravest apprehension any further increase of expenditure.

17,744. I think among your conclusions you speak of additional taxation, which amounts to nearly 6 crores, and in another place you speak of 3 crores, I think, as having been added?—Yes, I will explain that. In my comparisons I have taken the years as far as 1894–5; up till then the increase of taxation was that much, 3 crores; but since then we have added on the import duty on cotton goods, which has increased the amount to about 5½ crores; I think I have said 6 crores, which may not be exactly correct; it may be a little less.

17,745. You say that there were 3 crores to be added up to 1894?—I think 1½ or 2 crores has been added since by the import duty on cotton goods.

17,746. You said 6 crores, which for our purposes are 6 millions?—I think the official figure is 5 crores odd.

17,747. Mr. Jacob's evidence, or the official evidence, has given 5½ crores, has it not?—I think so.

17,748. But may I ask, is that quite a fair method of statement, because, taking the years just before that time, was not 3 crores of taxation remitted?—Yes, that was in 1882.

17,749. But is it quite a fair method of statement, when when you are making a survey of this kind, to choose the years in which there has been an increase of taxation, and to omit all mention of the years in which there has been a diminution, because now you are making a general survey?—But you will see from my first statement that in 1884 there was what you call a balancing of revenue and expenditure, after the remission of 3 crores of taxation; I have said that in the beginning of my evidence, as your lordship will see; and, so far, I have fairly admitted that there was this remission of taxation.

17,750. You speak afterwards of the Indian taxpayer being crippled by increase of taxation to an extent that he can hardly bear?—Yes.

17,751. When you are giving a general survey of what has taken place do you not think it would be fair all the way round to mention the decrease of taxation, which took place, observe, just before the commencement of the period which you have chosen for your survey?—As I have said in my evidence, I have chosen that period, because we considered that that was a fair standard year after the remission of the taxation; and as to the remission of taxation, I have already clearly stated in my evidence that there was that remission of taxation.

17,752. Quite so; I do not for a moment say that you have not stated very fairly that there was a remission, but when you come to that general conclusion do you not think, first of all, that you put the increase of taxation at all events somewhat too high?—We may modify that part of the evidence, in order to be exact.

17,753. And you omit all reference to the fact that just before there had been a very considerable diminution of taxation. I think it would be fairer to bear that in mind, when you are making a general survey; anybody reading this would be, I think, left under the impression that 6 crores had been added to taxation?—Say 5 crores.

17,754. When you are making a general survey I think it is only fair to bear in mind that 3 crores had been taken off just before, and that in fact, as far as the charge on the Indian taxpayer is enhanced, for the purpose of a general survey it is an enhancement of 2½ crores?—Your Lordship will see that I am giving my conclusions on the growth of expenditure during the decade, and therefore I have taken the actual taxation imposed in the decade.

17,755. Yes?—Of course, that is what I have to say; I am reviewing the 10 years; if I were making a general review of the whole period, say from 1875 to 1895, certainly I should have specially mentioned it.

17,756. (*Sir James Peile.*) You told us yesterday that the main disturbing factor was military expenditure. You are reviewing the financial position for 10 years before 1894–5?—Yes.

17,757. You said the main disturbing factor was military expenditure, but for the growth of which the revenue could have fairly borne the increasing burden of expenditure without any of the taxation imposed, and you gave us a table at page 31 of your evidence showing the average annual growth of the Indian military expenditure from 1886–7 to 1894–5 under the head of effective services in India and England?—Yes.

17,758. Exclusive of exchange?—Yes.

17,759. That seemed to come out at an average sum of about Rx. 400,000 per annum?—Yes.

17,760. So that for the nine years that would come to about Rx. 3,600,000, would it not?—Yes.

17,761. Do you take that to be the increase for nine years of the military expenditure?—This table, Sir James Peile, was made by me with reference to what fell from Sir Henry Brackenbury, namely, that military charges have not increased greatly since 1885–6; and I put this table only of the effective services, not of the non-effective services, military and other works, to show that, although that statement is made, still, if you take the different heads, you will see that there is a steady growth, and I go on to explain it. You will please see under the different heads army garrison staff has increased so much, there have been fluctuations in commissariat, there have been fluctuations in so and so. This table is more to illustrate my argument in reference to what General Brackenbury has said, that expenditure has not grown in the Military Department since 1886.

17,762. You wished to show that it had grown?—Yes.

17,763. And you bring out the nine years' growth at Rx. 3,600,000?—Yes.

17,764. And you say that, if that had not taken place, the revenue would have been able to bear exchange and all other things without extra taxation?—Yes, I have pointed that out very clearly in my first part where I say that if you take the total net expenditure at Rx. 545,000,000 and deduct the total increase for Army charges which, after making all allowances, come to Rx. 37,000,000 for the 10 years.

17,765. Now you take them at Rx. 37,000,000?—Yes.

17,766. But I think it was Rx. 3,600,000?—The actual average growth was Rx. 3,900,000 for the whole 10 years.

17,767. No, I take it for the nine years which you gave us, Rx. 3,600,000?—I beg your pardon, I took those years because the Finance and Revenue Accounts for 1894–5 were not with me at the time (they were just issued) and I wished to illustrate that there was increase of military expenditure since 1886, notwithstanding what General Brackenbury has said. The entire military expenditure, exclusive of exchange, as I have put in the table, is Rx. 37,000,000 for the 10 years, and I have pointed out that, if the net expenditure was so much, and if the net additional military expenditure was so much, there would have remained Rx. 508,309,522 as net expenditure for the 10 years; and similarly if the new taxation which in 10 years came, including the Suspension of the Famine Grant and Provincial Balances, to Rx. 29,000,000, was deducted from revenue, then there would have arisen a net surplus of Rx. 8,000,000 within the 10 years.

17,768. Do you know what the total charge for exchange was in that year; what was the total charge for exchange in the 10 years?—The total charge for exchange?

17,769. I mean the increased charge, you know?—The increased charge, yes.

17,770. That is, what was the increase over what the exchange was in 1884–5, in the 10 years?—The average growth compared with 1884 for the 10 years I make out at Rx. 4,327,000.

17,771. Rx. 4,000,000?—Yes.

17,772. Well, we calculate it at Rx. 43,276,000?—Yes; it comes to the same thing.

17,773. The same thing. Well, suppose that exchange charge had not accrued at all, suppose the rupee had stood at what it was in 1884–5 and that Rx. 43,000,000 had not fallen upon the Government as a charge at all; in that case they might have spent Rx. 33,000,000 more upon the military charges without extra taxation?—That is problematical.

17,774. It is obvious?—I only take the facts as they are.

17,775. No, pardon me; allow me for a moment: What you said was that if that military expenditure had been avoided—but for the growth of it—the revenue could have fairly borne the increasing burden of exchange without any increased taxation at all?—That increasing burden of exchange; that is to say, I take into consideration the increasing burden, but if at the same time there had been no additional military expenditure then there would have been this surplus and no taxation.

17,776. Which was the larger, the increase of military expenditure or the increase of exchange?—Well, I have said the principal disturbing factor is the military charges.

17,777. Which was the larger?—Of course, if you take the military and civil services together——

17,778. No, no, which was the larger, the military expenditure or the exchange?—Well, this exchange also includes exchange compensation allowance.

17,779. Which was the larger; you have given the figures?—Well, the facts are there.

17,780. One was Rx. 33,000,000; that was the increase in military expenditure, was it not?—Rx. 37,000,000.

17,781. We make it Rx. 33,000,000?—I say Rx. 37,000,000.

17,782. And the increase of exchange was Rx. 43,000,000?—Yes.

17,783. Obviously, the exchange was the larger, was it not?—Yes, but it includes exchange on all additional military expenditure.

17,784. And if that had not occurred the increase of military expenditure would have fallen within the revenue?—I have shown exactly how the thing stands; expenditure, say, military charges, so much. But for the extra charge, the whole burden of exchange would have been borne, therefore it necessarily follows that the increased charges for exchange could have been borne, you see, without increased taxation, if military expenditure had not increased since 1885.

17,785. You gave us an Appendix showing asserted wide discrepancies between the Revised Estimates and the Accounts?— Yes, a table.*

17,786. A table?—Yes.

17,787. You say the difference in 1894–5 is exceeding Rx. 3,000,000; how do you make that out?—In the revenue side or the expenditure side?

17,788. The revenue side?—Yes.

17,789. The Budget Estimate in 1894–5 was Rx. 92,000,000?—Yes.

17,790. Revised?—The Budget was Rx. 92,000,000 and the Revised is Rx. 94,000,000.

17,791. The Revised is Rx. 92,000,000 here in your table?—You speak of 1895 or 1894?

17,792. 1894–5?—In 1894–5 the Budget was Rx. 91,000,000.

17,793. These are not the figures in your table. You are giving the expenditure; it is the revenue I was on?—Oh, I beg your pardon, for 1893–4 the Budget is Rx. 90,000,000.

17,794. 1894–5 is what I am asking you about?—That is Rx. 92,000,000, and the Revised is Rx. 92,154,000.

17,795. Is not that a mistake? The correct Revised Estimate is Rx. 95,154,000?—I have not the financial statement with me here.

17,796. I think you have made a mistake?—If you show me the financial statement—there is a copy here—I can see it again.

17,797. (*Chairman.*) In your table you say that the Revised Estimate was Rx. 92,154,000?—Yes.

17,798. It appears, I think, you have made a slip there?—Yes.

17,799. As Sir James Peile points out, the Revised was Rx. 95,000,000. It makes a difference; it so far tells against your argument?—The actual accounts do so.

17,800. (*Sir James Peile.*) The accounts exceed Rx. 33,329 instead of over Rx. 3,000,000. In the plus and minus column for Accounts compared with Revised you ought to have *plus* Rx. 33,329 instead of Rx. 3,033,329; you are wrong by Rx. 3,000,000?—That is, if you take the correct figure, you point out a mistake in saying Rx. 33,329.

* *See* Appendix No. 76.

17,801. That requires modification; it largely exaggerates the difference?—It is only inadvertence. I did not intend, your Lordship—far from it—to exaggerate anything in my case.

17,802. (*Chairman.*) I think, if I might suggest to you, Mr. Wacha, you should look at your table again, and if you find this to be the case, which I have no doubt it is, you might modify it?—With the greatest pleasure.

17,803. And, perhaps, you would look through your evidence. Those figures happened to be before you at the moment, which lent great force to your statement of the difference between the Revised Estimate and the Account which followed it so shortly afterwards, and I think, when that misapprehension is removed, you will see that the tendency has been a diminution of that difference?—I shall be very glad to accept your suggestion.

17,804. You say that India has no true surplus to speak of. India does not hold any exceptional position in that respect, does it? The only surplus any country has is the balance of income after expenditure has been defrayed?—Yes.

17,805. Do you think India shows very badly in that respect, as compared with other countries?—I am speaking only of India. I cannot speak of the other countries, because I have not examined into their revenue or expenditure at all; but what I say is this, that this is a statement made by Sir John Strachey that India has got no true surplus, that is, for a rainy day.

17,806. Well, I will put it to you. I think most of us, looking at the course of Indian income and expenditure, would say that, on the whole, the surpluses realised have been satisfactory, and I do not quite understand what you mean when you say that India is relieved from embarrassment only by windfalls. The Indian Government follows very strictly a very old and sound rule of finance. It estimates its expenditure high and its revenue moderately; and I think you yourself rather point in that direction, both in your remarks about the rate at which the rupee is valued and the tendency of the Government to make use of the surplus that it has acquired by making a low estimate of expenditure?—Yes.

17,807. The mere financial position of India over a good many years, in respect of the difference between income and expenditure, has been that of a well managed State?—That is a conclusion which the Commission may draw for itself; it is not for me to say.

17,808. Then, again, I would note in passing that you speak as if it were an established fact that the income of the taxpayer does not represent 27 rupees a year. Really we can hardly pass that as if it were an accepted fact?—It has not been contradicted yet, though several challenges have been made.

17,809. Sir David Barbour himself has somewhat qualified, I think, the authority of the calculation?—Then the best thing would be for the Government to produce its own figures. Mr. Naoroji has often challenged them, and they do not produce what they think is the annual income.

(*Sir James Peile.*) Nobody can possibly say.

17,810. (*Chairman.*) Nobody can possibly say?—I do not know that.

17,811–2. Really, have you ever gone into it? It is impossible to find out such a fact. Lord Cromer himself rather deprecates the use of it; Sir David Barbour has, I think, deprecated the use that has been made of it. I think I am justified in going so far as that. If you are going to rely upon any such statistics as these, they ought to be very much more carefully examined. Reliance upon such an imaginary fact as that rather tends to weaken evidence than to strengthen it?—If it was imaginary, Sir Evelyn Baring would not have used those figures himself.

17,813. Well, it is as near as possible imaginary, that is what it comes to?—That is a mere matter of opinion again.

17,814. Have you taken any means to satisfy yourself that the 27 rupees is right, or do you quote it because Sir David Barbour calculated it?—I take it because it is the official figure.

17,815. Oh no; not the official figure?—Well, when a Finance Member says as much as that in his despatch.

(*Sir Donald Stewart.*) Well, but he qualified it at the time.

(*Chairman.*) He qualified it.

(*Mr. Naoroji.*) He qualified it. Major Baring distinctly stated that for all purposes it was accurate, but he would

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not vouch for the complete accuracy of the figure, but he thinks that is a powerful argument for the poverty of India. His words can be quoted; I have quoted them repeatedly.

17,816. (*Chairman.*) One other remark, you bring forward the net deficit of Rx. 37,620,000 as the deficit from 1849–50 to 1894–5. That, of course, is a very large deficit, and you bring it out at Rx. 800,000 a year. I put it to you on the other side, that the Revolution, as you may call it, of the Mutiny cost India Rx. 46,000,000. Putting aside the expenditure inevitable from such a revolution as the Mutiny was, you will see that, so far from there having been an increase of debt, there really has been over the remainder of the period a surplus?—I am only speaking of the actual condition of facts. Whether India spent it for the Mutiny or the Afghan War, or whatever it may be, here are the facts as given in the Statistical Abstract.

17,817. You are drawing a general view of the financial state of India?—Yes.

17,818. With reference to that, there was in that period a very extraordinary disturbance, the Mutiny; and I point out to you that that led to very great expenditure; putting that aside for a moment, in the rest of the time, in spite of the Afghan War, in spite of all the disturbance of Indian finance, some of which you have called attention to, there remains the fact that there has been a surplus over the whole period, so that, in fact, instead of being represented by an annual deficit of Rx. 800,000, the general result has been a surplus?—That is your opinion.

17,819. Well, what are your practical suggestions?—The practical suggestions I make are these:

(1.) That the military expenditure must be materially reduced, and

(2.) The costly foreign agency must be gradually substituted by an economical native agency, and a fair share of the expenditure must be borne by the United Kingdom for interest common to both countries. I need not go into the great moral and material drain of this alien agency, which the country has been witnessing for years past.

Mr. Naoroji has exhaustively demonstrated it to the Commission, and I have nothing new to add.

17,820. Well, now, perhaps we will pass to apportionment?—Yes.

17,821. I would ask what are your views as to apportionment?—After the mass of evidence recorded by the Commission on the subject of the apportionment of charges between England and India, there remains very little to be said.

First.—As to what are called home charges, namely, those which were inquired into by the India Office Departmental Committee, all high authorities such as Lords Northbrook, Ripon, Cromer, and Lansdowne, have expressed their opinion that the appointment cannot be merely on the basis of an arithmetical calculation, but that having regard to the capacity of India and the fact of its being almost voiceless in the matter, the apportionment should be on the grounds of justice and equity, for which India has clamoured for years but hitherto in vain.

Second.—That in reference to all charges which are incurred for the common interests both of England and India, it is just and expedient that England should bear at least half of those paid for the European agency, military and civil, employed in England and India.

Third.—That all charges incurred from the time of the second Afghanistan war on the North-West frontier of India should be equally divided. Though my Association and the Congress are of opinion that all these frontier wars and expeditions were unjustifiable and a needless waste of expenditure, for all practical purposes a compromise in this matter may be agreed to by an equal division of the expenses hitherto incurred. As to Upper Burmah the entire cost of the military expedition and the subsequent cost of administration should be wholly refunded by England to India, and the province separated from India and made into a Crown colony, as was suggested by the Congress. The occupation was made out at the suggestion of English merchants in Rangoon and Mandalay. Indians never demanded the annexation, and it is unfair to India that for the promotion of the interests of English capitalists and extension of British empire any charges be paid out of the revenues of India.

Fourth.—The charges for the occupation of Aden and its subsequent administration should be fairly divided between England and India and between all the British colonies in the East. And as to the embassy at Teheran, the charges should be wholly borne by England, as no Indian interests are concerned.

Fifth.—That India should not be called upon to pay any charges ordinary or extraordinary whatever in reference to all service which India may be called upon to render to England, unless India was directly interested, and that in such case the charges should be also equally borne by India and England.

Sixth.—That Indian affairs must be kept within the natural boundaries of India, and she should not be dragged into matters outside those boundaries and made to pay their cost.

Seventh.—That if India is to be treated as partner, which she is not in any sense at present, she should share all the benefits accruing from that partnership.

And generally I agree with what Mr. Naoroji has already stated in his evidence and statement on the subject before the Commission.

17,822. Have you any further suggestion to make with reference to financial machinery of control?—Yes, I would suggest that some suitable Indian representatives should be appointed to seats in the India Council. It will be remembered that in the original scheme for the India Council Mr. Disraeli had proposed that seats should be preserved for members elected by a special Indian constituency. India has vastly progressed since that scheme was suggested, and it is high time some steps were taken in the matter. I think in the various elected members of the Provincial and Imperial Legislative Councils will be found ready made such an Indian constituency. It could elect from its own body such members as would in its opinion be best qualified to sit on the Indian Council, and represent all Indian matters, especially financial, from the Indian point of view.

17,823. Of course you are speaking of the Indian Council at home?—Yes.

The witness withdrew.

(Adjourned till Monday next at 12.30 p.m.)

At the India Office, S.W.

FORTY-THIRD DAY.

Monday, 12th April, 1897.

PRESENT:

THE LORD WELBY, G.C.B. (CHAIRMAN, PRESIDING.)

The Right Hon. LEONARD COURTNEY, M.P.
Sir WILLIAM WEDDERBURN, Bart., M.P.
Field-Marshal Sir DONALD STEWART, Bart., G.C.B., G.C.S.I.
Sir JAMES PEILE, K.C.S.I.
Sir ANDREW SCOBLE, K.C.S.I., Q.C., M.P.
Mr. G. L. RYDER, C.B.
Mr. W. S. CAINE.
Mr. DADABHAI NAOROJI.
Mr. R. G. C. MOWBRAY.

Mr. COLIN G. CAMPBELL, *Secretary.*

Mr. GOPAL KRISHNA GOKHALE called in and examined.

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17,824. (*Chairman.*) The Commission is very glad to have this opportunity of obtaining your opinion on questions connected with the administration of the Government in India. Would you tell us the subjects to which you have devoted your attention, and the employment which you have held in India?—I am honorary secretary of the Deccan Sabha, an Association established in Poona for promoting under British rule the political interests of the Indian people. For seven years I was honorary secretary of the Poona Sarvajanik Sabha, another political association in Poona of a similar character, and honorary editor of its quarterly journal, a magazine dealing principally with questions of Indian finance and Indian administration. I am, besides, a member of the Council of the Bombay Presidency Association, on whose behalf my friend Mr. Wacha has given evidence before this Commission. For four years I was one of the secretaries of the Bombay Provincial Conference. I was also a secretary of the 11th Indian National Congress that met in Poona in 1895. I was for four years one of the editors of the Sudharak or Reformer, an Anglo-Marathi weekly of Poona. Lastly, I belong to a body of men in Poona who have pledged 20 years of their life to the work of education, and am Professor of History and Political Economy in Fergusson College.

17,825. How would you like to divide your evidence?—In accordance with the plan adopted by the Commission, I will divide my evidence into three portions, the Machinery of Control, the Progress of Expenditure, and the Apportionment of charges between England and India.

17,826. Then, we will take, first of all, the machinery of control, and, perhaps, you would give us your views upon that subject?—The question of the machinery of constitutional control is, in my opinion, a question of the highest importance. I may state at the outset that the position of India, so far as the administration and management of her expenditure is concerned, is somewhat exceptional. In the United Kingdom and the Colonies, public expenditure is administered under the control of the taxpayers, and, therefore, presumably solely in the interests of the taxpayers. In India, however, other interests are often deemed to be quite of equal importance, and sometimes indeed they are allowed to take precedence of the interests of the Indian people. Thus we have, first of all, the standing claims of the interests of British supremacy, entailing a vast amount of expenditure, the benefit of which goes to others than the taxpayers of the country. The large European Army maintained on a war footing in times of peace, the practical monopoly of nearly all the higher offices in the Civil Services by Europeans, and the entire monopoly of such offices in the Native Army illustrate what I mean. I do not deny that this supremacy in itself has been a great advantage to India, but what I mean is that the price that is exacted for this advantage is beyond all proportion too high. We next have the interests of the extension of British dominion in the East. Large sums have been from time to time spent in the past for this purpose out of the Indian Exchequer—in many instances in spite of the protests of the Indian Government—and if things continue as at present, this misapplication of India's money is not likely to stop. All expenditure incurred in connexion with the Afghan and Burmese wars, the extension of the Northern and North-Western frontiers, and the utilisation of Indian troops for Imperial purposes is expenditure of this description. Then there are the interests of the European Civil and Military Services in India. The extravagant privileges conceded to Staff Corps officers in 1866 have, it is now admitted on all hands, imposed, and improperly imposed, a heavy charge on the Indian revenues. The reorganisation of the Public Works Department in 1885 may be cited as another illustration. The Finance Committee of 1886, appointed by Lord Dufferin's Government, consisting of men like Sir Charles Elliott, late Lieutenant-Governor of Bengal, Mr. Justice Cunningham, Sir W. W. Hunter, Mr. (now Sir James) Westland, Mr. Justice Ranade, and others, thus expressed themselves on this subject: "The reorganisation of the (Public Works) "Department was undertaken in consequence of an agita- "tion on the part of the European Civil Engineers em- "ployed in it, which was conducted in a manner likely in "our opinion to have a bad effect on discipline and "therefore deserving of the disapproval of Government. "It seems to us to have violated the orders of Govern- "ment on the subject of combinations by its servants. "Such an agitation would not have been permitted in any "other department and should not again be allowed. "The object of the reorganisation was to improve the "position of the officers of the department generally, "and in particular to remove the block of promotion, "which had arisen from the excessive number of recruits "obtained from Cooper's Hill College in the earlier years "of that institution. During the continuance of the "discussion which we have summarised, great attention "was given to the grievances of the officers of the depart- "ment, but a careful consideration of the whole subject "leads us to doubt whether the measures sanctioned were "altogether suitable, either in kind or in respect of the "classes to which they were applied. They mostly con- "sisted of increments of pay to the Executives of the third "and fourth grade, and to the Assistant Engineers of the "first and second grades, none of which classes of officers "were at the time, so far as we understand the case, in "particular need of special assistance, and of the grant of "greatly improved pensions to all officers of both classes, "and they were made perpetual in their application." The concession made in 1890 to uncovenanted civil servants, whose pensions were fixed in rupees, that these pensions would be converted into sterling at the rate of 1*s.* 9*d.* to the rupee, and the grant of exchange compensation allowance to all non-domiciled European and Eurasian employés of Government indiscriminately are more recent instances. Lastly the interests of British commerce and of British commercial and moneyed classes often prevail over the interests of the Indian taxpayers. I might have mentioned the abolition of import duties during the administrations of Lord Lytton and Lord Ripon, as also the tariff legislation of last year as instances. But they do not come under expenditure and may therefore possibly be regarded as irrelevant.

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But the wasteful nature of many railway contracts, the extraordinary help given to the Orissa Company, the Madras Irrigation Company, and such other bodies of English investors, the vigour with which the construction of railways is being pusbed on, programme following programme almost in breathless succession, in spite of the protest of the Finance Member that the finances of the country now needed a respite in that direction, the conquest and annexation of Burmah, practically at the bidding of a powerful English trading company ; these are instances which are not open to the same objection. This frequent subordination of the interests of the Indian taxpayers to these other interests makes it all the more imperative that the machinery of constitutional control should provide adequate safeguards for a just and economical administration of the Indian expenditure, and yet, I fear, nowhere are the safeguards more illusory than in our case.

17,827. You say there that other interests are often allowed to take precedence of the interests of the Indian people. May it not be said, on the other side, that the measures which you name are not taken in the interest of a class, but that they are undertaken in the interest of good government in India?—It all depends on what is meant by good government; our view is that these concessions are more in the interests of particular classes than of the Indian people.

17,828. I want to bring before you what would be the counter-statement, namely that the Indian Government, which is responsible for good government in India, has considered a number of these measures to be necessary for good government in India, and therefore this *per contra* argument should be borne in mind, should it not?—Oh, I know that, but it may also be remembered that responsible officers of Government itself after a time condemn many of the steps taken previously; for instance, the members of the Finance Committee condemned what the Government had done only five or six years before; the Government themselves have admitted that in the matter of the Staff Corps officers they made a great mistake. Then there is another thing also that no one expects the Government to openly acknowledge, namely, that these measures are intended in the interests of the services; nobody ever could expect that. Of course, whenever they are adopted, they are adopted, ostensibly in the interests of good government; but the Indian people cannot help feeling that they are really adopted in the interests of certain classes. I am putting forward, of course, the view of the Indian people; I know that there is that view on the other side, which Government puts forward occasionally.

17,829. (*Sir Andrew Scoble.*) You do not profess to speak on behalf of the whole of the Indian people, do you?—Well, I profess to speak on behalf of the Deccan Sabha in the first instance; but, judging from the resolutions of the Congress, and the petitions which several other political bodies have from time to time addressed to the Government on the subject, I claim the views of the Congress party are the same.

17,830. (*Chairman.*) You speak of the large expenditure which has been laid out in the interests of the extension of British dominion in the East. On the other side, would not the Indian Government say that, according to the best of their knowledge and experience, that expenditure was necessary for the maintenance of peace and good government in India?—Yes; but in several cases the expenditure was forced upon India in spite of the protests of the Indian Government. The Afghan War of 1879, for instance, was ordered practically by Lord Beaconsfield from home. Lord Northbrook resigned previously rather than send a Consul to Cabul. In the same manner the first Afghan War was forced by the Board of Control on the Indian Government against the wishes of the Indian Government.

17,831. The point I wish to bring to your attention is this, namely, that in stating what you consider to be the opinion of the Indian people you state quite fairly one side of the question. On the other side, we ought to bear in mind that the Government which was responsible did think those measures were necessary in the interests of good government?—Of course, I do not dispute that.

17,832. And, therefore, there is something to be said upon the other side; without holding that that is a complete answer, I bring before you the fact that there are two sides to the question?—Yes.

17,833. I think you notice in one or two passages of your statement, a number of what appear to you to be errors on the part of the Indian Government. You speak of the wasteful nature of railway contracts; the extraordinary help given to certain irrigation companies, the grants made by way of compensation allowance, and so forth. Well, I believe in each of those cases the Indian Government have arguments which it would oppose to your view that these were all cases of wasteful expenditure; but even granting for the moment that they were so, is it not the case that all Governments make mistakes; and supposing that India was entirely free from British domination, do you not think that they would be liable to and would commit mistakes of the same kind?—I do not question the motives of the Indian Government; I do not even say that no other Government ever commits mistakes in that way. All I say is that, if there had been better control, those mistakes would have been possibly minimised, if not absolutely avoided; my point is that.

17,834. Then, next, would you give us your views on the machinery as it exists at present?—The spending authorities in the matter of Indian expenditure are the Provincial Governments, the Government of India, and the Secretary of State in Council (to which we must also add the Secretary of State in the Secret Department).

17,835. Would you explain what you mean by the Secretary of State in the Secret Department?—The Secretary of State in the Secret Department might send out orders to the Government of India without the knowledge of his Council, and these orders might ultimately entail very large expenditure; therefore, practically, he orders that expenditure, and I look upon him in that sense as a spending person.

17,836. (*Sir Donald Stewart.*) Can you give any examples of that?—Yes; this Afghan war, for instance; the orders in connexion with the Afghan war were sent direct by the Secretary of State to the Government of India.

17,837. Any more recent ones?—I believe that it is relevant, but I am not quite sure, because the point is not in connexion with expenditure—but I believe tariff legislation and things of that kind have been ordered from here.

17,838. But you refer to expenditure?—Yes, I refer to expenditure. Well, it is so difficult to say, because the proceedings of the Council are not available to us; but, as we know from the constitution of the Council that the Secretary of State can send out orders, I am pointing out a defect in the constitution.

17,839. When you speak of the Afghan war are you referring to the 1879 Afghan war?—The 1879 Afghan war; the first Afghan war was also ordered by the Board of Control, as far as I understand.

17,840. (*Sir Andrew Scoble.*) When you speak of the Secretary of State in the Secret Department, do you mean to assert that there is any Secret Department in the Indian Office, or that the Secretary of State, when he acts in the way that you describe, is acting as the mouthpiece and organ of the British Government?—Yes, that is what I mean, without the knowledge and sanction of his Council.

17,841. And of the British Government?—Of course with the knowledge of the British Government, but without the knowledge of the Council.

17,842. (*Sir Donald Stewart.*) But that is not quite correct?—I amopen to correction; but this is the opinion that I have formed after reading what literature has been available to me on the subject.

17,843. (*Mr. Courtney.*) Is it without the knowledge of the Council, or without the assent and concurrence of the Council?—Without even the knowledge of the Council he can send orders; if he marks a despatch as confidential or secret, the Council cannot see it.

17,844. (*Sir James Peile.*) Can he send it without the knowledge of any of the Council?—It is so difficult to say; he may, if he likes, show it to some.

17,845. You do not know?—I do not know.

17,846. You should not be so positive then?—I believe the Council means the whole Council; and if only one or two members see it, that is not the Council seeing the thing.

17,847. (*Mr. Naoroji.*) That is at the discretion of the Secretary of State?—The Secretary of State.

17,848. (*Chairman.*) But do you found your opinion of this power which you attribute to the Secretary of State upon any clause or section in the Act of Parliament regulating the Government of India?—Yes; this power that the Act gives to the Secretary of State to mark a despatch as confidential, and then send it on without the knowledge or cognisance of the Council, that is what I have in view.

17,849. And that, you say, is actually contained in the Act itself, is it?—Well, that is my impression.

(*Sir Donald Stewart.*) As I gather from the witness, he is referring to orders that may be issued in the Secret Department, which cause expenditure.

17,850. (*Chairman.*) That I understand?—Orders, which ultimately may lead to expenditure, not immediately.

17,851. (*Sir Andrew Scoble.*) Either directly or indirectly?—It may only be a course of policy or a course of conduct which immediately may not involve expenditure, but in the long run it may make expenditure inevitable.

17,852. Can you give any instances of what is in your mind when you say that, because if there were an order to take military proceedings, which is one case that you have mentioned, that would involve immediate expenditure, would it not?—It is so difficult for us to say definitely, because we do not see the proceedings of the Council; but I have such a case as this in mind, for instance, the Secretary of State wishes that the British Government should send an embassy to some place outside the limits of British India; well, if he marks that despatch as confidential, it need not come before the Council and the Council need not see it. However, the sending of this embassy may ultimately bring the country into difficulties that might lead to war.

17,853. Have you in your mind any concrete case of the kind?—Well, I think the consul that was sent to Cabul in 1879 by the Government of India; that was in consequence of instructions which Lord Lytton received direct from the Secretary of State.

17,854. That is your impression?—Yes, that is my impression.

17,855. (*Sir Donald Stewart.*) But in that case any expenditure that was involved in sending the embassy must absolutely come before the Secretary of State in Council, and be discussed in Council?—I thought that the mere sending of the embassy, if the despatch was marked confidential ——

17,856. I gathered your argument referred to a question of expenditure?—Yes; but it is not direct expenditure.

17,857. And all expenditure has to be discussed in Council?—What I mean is that, if it directly involved expenditure, it would come before the Council, but, if it only ultimately may involve expenditure, it would not come before the Council necessarily.

17,858. No expenditure whatever can be sanctioned by the Secretary of State without the concurrence of his Council?—Yes, I know that; but he might order a line of policy which immediately may not involve any expenditure, but which ultimately may necessitate expenditure. It then becomes merely a question of policy.

17,859. (*Chairman.*) Perhaps you would go on; you were dealing with the controlling authorities, I think?—The controlling authorities at present are: the Government of India controlling the Provincial Governments, the Secretary of State in Council controlling the Government of India (the Council sometimes tries to control the Secretary of State, but it is now much more dependent on him than it was once), and Parliament in theory controlling all. Now, in the first place, all this is purely official control, unless indeed, by a stretch of words, we regard the theoretical control of Parliament as to some extent popular. Real popular control, in the sense of control by the taxpayers, is, practically speaking, entirely absent from the whole system. There are, no doubt, the Provincial and Supreme Legislative Councils in India. But, so long as the budgets are offered for criticism only and have not got to be passed, and so long as the members are not allowed to move any resolution in connexion with them, they cannot be called controlling bodies in any proper sense of the expression.

17,860. Would you not allow that the free power of criticism is a real exercise of the power, I will not say exactly of control, but of check?—To some extent it may be a check, but it is not control; that is what I am saying. Of course, I admit that there is value, a great deal of value in these discussions. Secondly, I venture to think that even this official control, such as we have it, is, except in the case of Provincial Governments, of very little value from the taxpayers' point of view. The Provincial Governments are indeed controlled, and more than controlled, officially—they are, in fact, crippled. But as regards the Government of India and the Secretary of State in Council, where they are in agreement, their powers of incurring increased expenditure are almost unlimited; and unfortunately they are generally found to be in accord in matters in which the Indian taxpayer feels a direct interest, their differences being usually about matters for which he cares little or nothing.

17,861. Would you explain what you mean by "matters "for which he (the Indian taxpayer) cares little"?—Well, I might take the case of the increase of the army. Now that was a question in which the Indian taxpayer felt a direct interest. The Government of India proposed, and the Secretary of State sanctioned, the increase by telegraph. I do not mean here to question anything that they do; all that I want to do is to point out that in matters which involve large expenditure they are generally found to be in accord.

17,862. But then you say that their differences are in matters for which the Indian taxpayers care little?—Yes. They may differ as to whether there should be so many officers in a particular regiment or not. They sometimes differ from one another in such matters, but we do not feel much interest in their differences. If they differed, that would be a safeguard, because then the Secretary of State would act as an appellate body.

17,863. I think you have mentioned, have you not, that, on one or two occasions, on important questions there has been a difference between the Secretary of State and the Viceroy?—Yes; and to that extent that was very valuable; but I wish that they differed oftener than that.

17,864. Still your statement is put very broadly; would you not make some qualification?—I have been careful, I think, my Lord. I have said, I think "their differences being usually about matters"—on rare occasions they do differ—but usually "about matters about which we did not care much." Lastly, section 55 of the Government of India Act of 1858 is supposed to give protection to Indian revenues against their application to extra-Indian purposes; but it is now well-known how that section has failed to attain its object in practice. I will explain that later on.

17,865. Will you tell us what you consider to be the result?—The results of this state of things have been very unfortunate. Under the East India Company our revenues were certainly much better protected. The Company's government was, so to speak, a strong buffer between Indian interests and Imperial interests; and, as Sir Charles Trevelyan has observed, it was often able to offer a successful resistance to the demands of the Queen's Government.

17,866. Would you explain a little more what you mean by the revenue under the East India Company being better protected; in what sense do you mean that?—Against the demands of the Imperial Government, the Government here at home. Sir Charles Trevelyan has given that in detail before the Fawcett Committee, and he says that it often happened that extra charges were attempted to be put upon India, and the representatives of the Company fought with the representatives on the other side, and generally they carried their point. I have taken the statement from Sir Charles Trevelyan's evidence.

17,867–8. And do you think that in the financial administration of India itself the East India Company was more economical than the Queen's Government?—I think so. I think they were much more economical. It might be mentioned that so far as possible they avoided extra taxation; that was a characteristic feature of pre-Mutiny finance; as far as possible, they avoided additional taxation.

17,869. But there was a good deal of extra taxation put on under the East India Company, was there not?—Not much. If the whole period of their rule were examined, it would be found that they generally adhered to the taxes that were already in existence; and that it is since 1857 that so many more taxes have been imposed upon the country. This point, also, is brought out very well by Sir Charles Trevelyan in that evidence.

17,870. Will you proceed?—The inquiry which Parliament used to make into Indian affairs every 20 years, in those days, and the spirit of jealous wakefulness which it used to exhibit on those and other occasions, were a further protection to Indian interests. With the establishment of the direct administration of the Crown all this has gone, and the administration of the Indian revenues is now practically entrusted to a Cabinet Minister, assisted by a Council of his own nomination, a Minister who brings no special knowledge or experience of Indian affairs to the discharge of his duties, who, as a member of the Imperial Executive, naturally has an eye to Imperial politics rather than to Indian interests, and who is peculiarly liable to be swayed by the varying currents of English public opinion and other English influences. All financial power in regard to expenditure, executive, directive, and controlling—is centred in his hands; and with all these vast concentrated powers he has really no responsibility except

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to the Cabinet, of which he is a member and of whose support he is always assured, and to Parliament where he has a safe majority behind him in virtue of his position as a Cabinet Minister. The position virtually amounts to this, that it is the administration of the finances of one country by the Executive Government of another, under no sense of responsibility to those whose finances are so administered.

17,871. You say that all financial power in regard to expenditure is centred in his hands; are not the Council a check upon him in matters of expenditure?—Well, they are supposed to be a check; but I must say that we are not impressed by the way in which that check is exercised. Recently, for instance, there was an example in connexion with these Suakin charges. Two members, Sir James Peile and Sir Donald Stewart, protested, and the whole of India in fact was of the same opinion; the Government of India itself was of that opinion; and yet the Secretary of State was able to carry his point, so that practically he is supreme; the position comes to that.

17,872. But, though there was a protest made by two members of the Council, I gather from your statement that the remainder of the Council supported the Secretary of State?—That must have been so, I believe; that is also the inference I would draw.

17,873. And, therefore, that proves nothing to the effect that the Secretary of State has autocratic power in the matter?—Except this, that the members do not care to differ from him—perhaps I ought not to use that expression—but they generally are disposed to agree with him—the majority of the members. Well, that does not amount to an effective check.

17,874. Have you any reason for saying that the members generally agree with him?—That is what has been said by many men. Sir Charles Trevelyan notably said that he was hopeless of the Indian Council; "hopeless" was the expression that he used with all his knowledge. I mean to cast no reflection on any of its working, but that is the feeling in India. If the other members had taken the view that was taken by these two members, that would have been a good check.

17,875. But, of course, the other members of the Council may have been conscientiously of opinion that the step was the right one?—I quite admit that; I do not mean to say that they must have done it against their conscience, but we deplored their vote all the same.

For years past we have been treated as a vassal dependency, bound to render services to the suzerain power and to place our resources, whenever required, at its disposal. As a result, millions upon millions have been spent on objects which have not advanced the welfare of the Indian people so much as by an inch—even the empty sense of glory, which is a kind of barren compensation to self-governing nations for such large expenditure of money, is not available to us as a consolation. And not only have these vast sums been thrown away in the past—thrown away, of course, from the Indian taxpayer's point of view—but, as a direct result of that expenditure, the country is now pledged to indefinite, and possibly vaster, liabilities in the future. And all this has gone on, while the expenditure on objects which alone can secure the true welfare and prosperity of the people has been wofully neglected.

17,876. You say that as a result millions and millions have been spent on objects which have not advanced the welfare of the Indian people so much as by an inch. Could you tell us what you have in your mind when you say that?—I have in mind the past expenditure that has been incurred on the Northern and North-Western frontier in connexion with the frontier Imperial policy. When I say that that expenditure has not advanced our welfare by an inch, I mean that in matters of education, in matters of domestic improvement, we are where we were, whereas this expenditure has been going on increasing.

17,877. Would you apply that criticism to all defensive expenditure—that it is thrown away?—It would involve a discussion of a question of policy, but my own view is, that the Government ought to have confined themselves to the natural defences that they had, and not have gone beyond the frontiers and incurred all this expenditure.

17,878. That is quite a legitimate opinion of your own, but it is only your own opinion?—Of course, I can state only my own opinion.

17,879. And, I think, when you and I are speaking across the table, we are neither of us military authorities, are we?—I admit that. But it is not our fault, I mean the fault of Indians like myself, that we do not see the military point of view just as the military people would like us to understand it; we are non-official critics, and all the information that is available to us we utilise.

17,880. But we must bear in mind, must we not, that, while the criticism is what I may call lay criticism, though it may be perfectly legitimate criticism, on the other hand, a different opinion has been taken by the military authorities, who are experts in the matter; and it would be a very grave responsibility for the Goverment to take, would it not, to neglect the warning of their expert advisers in military matters?—Oh, I quite admit that; but there are even military experts who take the same view as we do. Colonel Hanna, for instance, has recently written three books, and in them he has said that the Government has made a great mistake in going beyond the frontier.

17,881. (*Mr. Caine.*) All that the witness said to you just now he would also mean to convey to the Commission, as the deliberate and unanimous opinion of all the Associations which he says he represents here. Would not that be so?—That is so.

17,882. There would be no difference of opinion on questions of frontier policy as expressed by you?—No difference of opinion amongst Indians, the Indian political Associations.

17,883. (*Sir William Wedderburn.*) And it is because Indian public opinion regards these expeditions as aggressive rather than as defensive that they object to them so strenuously?—That is so.

17,884. (*Mr. Courtney.*) Has any voice been raised by the Indian members of the Legislative Council against them?—Well, they protest occasionally. The non-official members of the Viceregal Council protest against charges; but there is no vote, no division, and it comes to nothing.

17,885. (*Sir Andrew Scoble.*) Do you remember any occasion of their entering such a protest?—Oh yes, I remember that two years back the Honourable Mr. Mehta, of the Bombay Presidency, protested very strenuously against these military expenditures.

17,886. Which expenditure?—The frontier military expenditure—Chitral, I think.

17,887. The Chitral expedition?—Against such expeditions as that; we say they were not necessary, they say they were necessary—and there is an end of the matter.

17,888. Then the protest, made two years ago, was made after the expedition was over, and the expenditure had been incurred, was it not?—When I mention Chitral, I mean expeditions like Chitral; the expeditions have been going on latterly rather too fast, and I do not remember just now whether it was against Chitral or some other expedition that Mr. Mehta protested.

17,889. Surely, if you speak on behalf of these political Associations, and protests were made on their behalf in the Legislative Council, you can tell us what the precise expedition was, and what was the precise protest, can you not?—I should like to refer to the discussion before giving an answer to that.

17,890. (*Mr. Naoroji.*) Were there any independent, non-official, partially elected, members at the time of the Afghan War; that is rather a later arrangement?—Yes, that is rather a later arrangement.

17,891. And at that time there were none?—No, there were none.

17,892. They were all nominated at that time?—Yes.

17,893. (*Chairman.*) What defects do you consider to exist in the present arrangements?—The principal defects in the existing arrangements to which, in my humble opinion, these deplorable results are to be traced are two: (1) autocratic financial power practically concentrated in the hands of a member of the Imperial Executive without adequate securities for its due exercise; and (2) the absence of effective protection to India against financial injustice at the hands of the Imperial Government, there being no impartial tribunal left to appeal to for redress of such wrong, and no constitutional power to resist unjust demands.

17,894. Now, passing to the Council of the Secretary of State, are there any observations you have to offer to us?—When the Government of India was transferred from the Company to the Crown, the Secretary of State's Council was intended to be a check on him, and guarantees were provided for securing the independence of members. But these guarantees have, nearly all of them, been swept away by the amending Acts of 1868 and 1876. Under the arrangements of 1858 the members of the Council were to hold their office during good behaviour, and were not removable except on an address of both

Houses of Parliament. They were thus placed in a position of dignified independence to exercise the important powers of control entrusted to them under the Act. The Act of 1869, however, profoundly modified this position of the Council. It provided that all appointments to the Council were thereafter to be made by the Secretary of State. The members were to hold office for 10 years only, and for special reasons, to be communicated by the Secretary of State to Parliament, they might be reappointed. These modifications at once lowered the position of the members, destroyed the independence of the Council, and virtually left the Secretary of State supreme in the direction of affairs. The Council was, in fact, reduced to the status of a subordinate consultative Board to be composed of the nominees of the Secretary of State, stripped of its original dignity and independence and left unfitted for the proper discharge of its high constitutional functions. The Act of 1876 empowered the Secretary of State to appoint three of the members for life, thus throwing additional power into his hands. The manner in which the Council is recruited is also open to the gravest objection. Nearly all the members are persons who have held high executive office in India. They cannot, as a rule, be unbiassed judges of the actions of their successors, for the simple reason that in their own time they had in all probability behaved in the same way. There are no representatives of independent Indian public opinion on the Council. Moreover, the machinery of the Secret Department enables the Secretary of State to order a course of action which may practically render large expenditure inevitable, without the knowledge of his Council.

17,895. You are criticising the Act of 1869, and you point out that it provided that all appointments to the Council should thereafter be made by the Secretary of State?—Yes.

17,896. By whom would you like the appointments to be made?—Well, I do not object to the Secretary of State making the appointments as the Council is now constituted; but the manner in which the Council is recruited is regarded as objectionable for this reason, that the class of men that are selected for it are generally persons who have occupied high executive positions in India.

17,897. We will come to that, if you please, afterwards. Just at the present moment I want to get your view as to the method in which the Council should be recruited. Your words would rather imply a criticism upon selection by the Secretary of State, and I wanted to gather how you yourself would prefer to see the nominations to the Council made?—I would wish it made by the Crown.

17,898. By the Crown; it would still be by the Secretary of State?—It may come to that ultimately; but there is a greater dignity felt, when the appointment is made by the Crown.

17,899. There may be a dignity in it being stated that the Crown makes the appointment; but the Crown can only act upon the advice of the Secretary of State, and, therefore, the result is the same whether the appointment is made by the Crown or by the Secretary of State directly. I want to gather from you whether you acquiesce in the Secretary of State as the person who is to choose the members, or whether you had in your mind any other method of appointment?—No; my point was this, that men who are presumably to control the Secretary of State should occupy a certain position in regard to their appointment; also I consider that there is greater dignity in the appointments if made by the Crown than by the Secretary of State.

(*Chairman.*) That is quite intelligible.

(*Sir Donald Stewart.*) But they are made by the Crown now.

17,900. (*Chairman.*) Are they?—No, by the Secretary of State.

17,901. Then that confines your criticism really to this, that you would like the appointment of these councillors to be made by the Crown as adding weight and status to their position?—Yes.

17,902. But, further than that, you do not contemplate any other method of appointment than by the Secretary of State; in either case the Secretary of State would be the virtual appointor?—I admit that.

17,903. (*Mr. Mowbray.*) Or would you mean the Prime Minister by "the Crown"?—If that could be secured, that would be better; I think if the Prime Minister could appoint—if the Crown could appoint on the recommendation of the Prime Minister—that would be better.

17,904. Had you that in your mind when you said "the Crown"?—I was not quite clear that the appointments by the Crown were really at the instance of the Secretary of State; I had thought it was at the instance of the Prime Minister, but I took it from the Chairman that they are at the instance of the Secretary of State.

17,905. (*Sir Andrew Scoble.*) I understood you to suggest that the alteration of the appointments from "during good behaviour" to a limited period of 10 years was a great objection, in your mind, to the fostering of that spirit of independence, which you would like to see in the Council of the Secretary of State?—Yes, that is so.

17,906. (*Chairman.*) You speak as if the Act of 1869 modified the previous practice. Before 1869 do you consider that the members of the Council were nominated in a different manner?—Yes, they were differently appointed. To begin with, out of 15 members eight were appointed by the Crown and seven were appointed by the Court of Directors.

17,907. (*Sir Donald Stewart.*) Would you read that? (*Handing copy of Act to witness*)?—This is the Act of 1858, but I am speaking of the Act of 1869.

17,908. The same form in practice still exists?—Under the first Act the appointments were to rest with the Crown, but the Act of 1869 provided that they were to be by the Secretary of State. I think Sir James Peile supports me in that, that the present appointments are by the Secretary of State.

17,909. (*Chairman.*) But, going back to what I was saying before, was not the old practice applicable to nominations to be exercised once only? The Act, I presume, contemplated that all new nominations would be made as they are made now?—The vacancies among those seven members were to be filled by a sort of co-optation, while all vacancies in the eight members were to be filled by the Crown.

17,910. And therefore you look upon it that at the beginning, under the original Act, the idea was that a certain number of the members for all time would be co-opted?—Yes; after the first nomination they would be co-opted.

17,911-2. Should you maintain that the Act of 1869 was a definite change in that respect, inasmuch as it vested the whole of the nominations in the Secretary of State?—Yes, that is what I mean.

17,913. (*Mr. Courtney.*) And do you think that that change in itself was one for the worse?—In this way, that the controlling body became more dependent upon the Secretary of State, and lost some part of its first dignity.

17,914. It would be no more dependent, when once appointed. A member of Council was as independent of the Secretary of State, after appointment, after 1869 as before?—The Secretary of State has also got the power of re-appointing after 10 years, which was not possible before.

17,915. Because formerly a member of Council was appointed for life?—Yes.

17,916. Do you think that it was desirable that the original appointments for life should have been maintained?—My own opinion about the Indian Council is that after all it would be an advantage to have short term appointments only; but we are talking at present from the point of view of control, and, so far as that goes, the change was for the worse, because the body became less independent.

17,917. You think a member of the Council, looking to the chance of having his tenure prolonged, is more dependent on the Secretary of State?—Well, I would not put it quite so strongly as that; but it makes a change.

17,918. In what other respect is there dependence?—If there is no suggestion of dependence in that, why have they made the English judges independent? They all feel that appointment for life secures better independence.

17,919. But, supposing with respect to English judges the law were altered so as to require them to retire at 70, which many people think would be desirable, would that affect the independence of the English judges?—That would not; but if any judge could be re-appointed after he was due to retire, well, that would to some extent have a tendency to affect his independence.

17,920. (*Sir Andrew Scoble.*) Have you ever heard it suggested that the prospect of a judge getting transferred to the Court of Appeal, or to the House of Lords, is considered by some people in England rather to diminish his independence?—Well, I have read of that, but I am not qualified to express an opinion.

17,921. You have heard that that argument has been used?—Yes, but I am not qualified to express an opinion upon it.

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17,922. (*Chairman.*) Then I do not take it that you condemn the principle of only appointing for a period of years in itself?—That has become inevitable now, I think; in any subsequent changes that might be made I think that has become inevitable. I would even go so far as to reduce the period from ten to five years, because circumstances are changing so fast in India now that even ten years is too long a period.

17,923. (*Mr. Courtney.*) From ten to five years without possibility o prolongation? — Without possibility of prolongation

17,924. (*Chairman.*) Can you tell us whether the members of the Council have often been re-appointed for ten years?—I believe recently there was an example, though in that case we all felt that it was a very proper re-appointment—it was in the case of Sir Donald Stewart. We all felt that it was a very proper re-appointment; but the power is there; I do not say that the power has not been properly used, but the very fact that the Constitution gives that power to the Secretary of State shows some weakness in the Constitution; that is my point.

17,925. Well, then, you say that it is an objection to the present system that so many of the persons appointed to the Council have held high office in India, and I understand you to think that that diminishes their power of useful independent criticism?—Well, executive offices I mean.

17,926. Yes, high executive offices; and I suppose what you mean by that is that that diminishes their power of exercising independent criticism? — Their opinions are already formed on the subjects that are likely to come before them, and they do not make quite impartial judges of things that are going on in India.

17,927. But, on the other hand, do you think it would be an advantage if the Council of India consisted of people who had no knowledge of India?—In a very short time I believe they might qualify themselves for that. It would not be a very great difficulty; besides, you might have judges from India. What I object to is persons who have been members of the Viceregal Council. There was a case, for instance, some time back brought to light. General Strachey had advocated the narrow-gauge system in India—in fact he was looked upon as the author of that narrow-gauge system—when the question was before the Supreme Government. The question afterwards came before the Secretary of State. General Strachey himself by that time had come into the Secretary of State's Council, and naturally, being a great expert, his voice prevailed over everybody else's. The same man who was responsible for the introduction of the narrow-gauge system, also ultimately approved of that system. I only want to point out that the opinions of these gentlemen are formed quite definitely, and they are not likely to form very impartial judges; I mean they are not likely to see the other side.

17,928. But, a council constituted like the Council of India would be perfectly alive—as much as you or I would be—to this danger of leaving any officer to determine—what I take to be your meaning—in his own case personally. The Council would be quite as able, I think, as anybody else to discount that danger, would they not?—It depends. When a person is a very strong person he is able to make an impression on his colleagues, and make them see just as he sees.

17,929. Of course it is then within the bounds of possibility that such a person might be right, is it not?—Oh, perfectly so; I do not say he was not right; I only say the control is not then properly exercised.

17,930. Do you not think the body of the Council, independent gentlemen—independent of such a person at all events—are quite able to discount, to appreciate this danger which you point out, and to guard against it?—In such technical matters it is an expert, whose opinion carries a great weight naturally.

17,931. Not necessarily a predominant weight?—No, not necessarily a predominant weight, but it would almost look like it. I myself should be very much influenced by an expert's opinion,

17,932. Naturally?—Naturally.

17,933. (*Sir Andrew Scoble.*) But you would not expect a man to give up the honest opinions he had formed during a long period of service in an executive office, simply because he happened to be placed in the Secretary of State's Council?—I do not; I know they would all stick to their opinion. That in itself constitutes a sort of incapacity to see the other side.

17,934. If they all stuck to their opinions, would you not get that friction which is so desirable in a body like the Council of the Secretary of State, so as to secure the expression of opinion on both sides?—I do not know how that friction would be secured, because they are all moulded more or less in the same groove and see things in the same manner.

17,935. Would not it lead to the conclusion that they were right, if they all agreed?—The Government of India or the Secretary of State in Council would have to be regarded as infallible if we were to argue like that.

17,936. (*Sir William Wedderburn.*) In that case of the adoption of the narrow-gauge system, there was very nearly universal public opinion European and Native, against it in India?—That is how I understand it to have been.

17,937. (*Sir Andrew Scoble.*) That was not the case, because there was a great division of opinion upon that question of the gauge?—But there was a very important opinion on the other side.

17,938. There was a very important body of opinion, as I recollect, on both sides?—Of course, since General Strachey was able to carry his point, it must have been that he was strongly supported.

17,939. I feel bound to say that I was a strong supporter of the broad-gauge system myself. I know there was a very great and important and valuable body of opinion on the other side?—I am pointing out what struck me as the defects in the constitution itself; though, sometimes, the defects might exist, yet the constitution might work better; but that does not mean that the defects themselves are not to be found fault with.

17,940. (*Chairman.*) Dealing with that question of the constitution of the Council, I would like to learn a little more fully from you whether you do not see a risk in a Council composed of people who have had no experience of India?—If judges, for instance, were put on the Council, they would bring a general knowledge of India to the discharge of their duties; and I have such faith in an Englishman's sense of duty, that I believe that in a short time they would qualify themselves for the work, and they would be more impartial men.

17,941. And would the Council that you think it would be advisable to form, consist altogether of Indian judges?—I only gave an example; there might be non-official leading Anglo-Indians upon it, and they might also appoint some men on the recommendation of the Legislative Council, of the representative members of the Legislative Council.

17,942. You do not mean that you would put on the Council Englishmen who had never been in India?—I would put some of them also, because they would be able to see things from a different standpoint; even now, I believe there is some provision like that.

17,943. (*Sir Andrew Scoble.*) There are some?—There are some even now.

17,944. There is an Indian judge on the Secretary of State's Council, is there not? Sir Charles Turner, lately Chief Justice of Madras?—I would strengthen the judicial element, and reduce, if not altogether abolish, the executive element.

17,945. (*Chairman.*) Do you not think there is a great advantage in the Secretary of State having at hand men who have held very high executive office in India, who are able to give him the benefit of their experience?—The real Government of India is in India, and ought to be in India. So far as general questions are concerned, it is only when questions are referred to the Secretary of State that the Secretary of State has to take cognizance of them; and I believe that, if judges and such other persons as I have mentioned qualified themselves properly for the discharge of their duty, they would assist the Secretary of State quite as well as the present executive members.

17,946. In your definition of the position of the Secretary of Sate, you observe there are very important questions that would be referred to the Secretary of State?—Yes, sometimes.

17,947. And you do not think it desirable that he should have at hand officers who know something of the circumstances under which the questions have arisen, and who are able to advise him from their knowledge of Indian opinion and of Indian tradition; you would leave him on those points to form his unaided judgment? I grant you that you have spoken of Indian judges being present; but the Indian judges, I understand, have not got the administrative experience that many of the present members of the Council have?—That is true; but under the present system it comes to this, that men who are

responsible for things in India, themselves in course of time come to be members; and they, therefore, cannot be expected to condemn what they themselves have done before.

17,948. (*Sir William Wedderburn.*) You attach more importance to impartiality than to special knowledge of the subject?—I do.

17,949–50. Because the matters that come up before the Secretary of State are generally in the nature of an appeal against some action of the Executive in India?—Yes.

17,951. And you do not wish those who have been the authors of these executive acts to come and sit afterwards in appeal upon those acts?—That is precisely my view.

17,952. *Mr. Courtney.*) I should like, before you conclude this part of your subject, to get some definite idea from you as to how you would wish this Council of the Secretary of State to be constituted; how many members would you like to have?—They have at present reduced the number to, I think, 10 members, and it might very well so remain. Each of them might hold office for five years or so—I would not put the thing quite definitely—only say five years or so.

17,953. Wait a moment; five years or so? Are you clear about that?—Well, I think so.

17,954. Do you think 10 years too long?—Well, I think it is rather too long; that is my view.

17,955. Next you would like to have them appointed nominally by the Crown?—By the Crown.

17,956. The appointment by the Secretary of State means the same thing?—If it comes to the same thing, well, there is no help; but there would be a greater dignity in the position.

17,957. You would have none appointed by any other authority than the Crown?—Well, the ultimate appointment should be by the Crown; some of the members should be appointed on the recommendation of the members of the Indian Legislative Council.

17,958. Of the representative members of the Supreme Legislative Council, I suppose, in India?—Yes, that is what I mean, the Supreme Council; but it all depends on how many members you give.

17,959. Suppose you take the allotment of three as you suggest?—Well, the representative members of the Supreme Legislative Council might nominate them.

17,960–1. Might nominate three?—Might nominate three.

17,962. (*Sir Andrew Scoble.*) By the "representative members" do you mean the non-official members generally, or only a certain class of non-official members?—The non-official members who are appointed on the recommendation of certain bodies.

17,963. Not those who are nominated by the Viceroy?—No, because that means Government nomination pure and simple.

17,964. Then how many members of the Viceroy's Council are there who fulfil that condition that you have named?—I believe there are seven or eight now.

17,965. Eight; and you would allow those eight to elect three members to the Secretary of State's Council?—But each member has behind him another electorate.

17,966. I did not ask you whom they represent; but you would allow these eight members to appoint three members of the Secretary of State's Council?—Well, I would, because there is no other machinery that represents India as these eight members do.

17,967. (*Mr. Courtney.*) It would not work out in your scheme that the eight would appoint three straight away? I mean, when it came into full operation, there would be a vacancy every two years or something of that kind?—It would be that.

17,968. You would have an appointment made by the eight members of this year, and the eight who would appoint two years hence might or might not be the same eight, but might be partly the same and partly different, and so on?—Yes.

17,969. That would amount to three out of the ten. Would you allow the Crown to have any veto on that nomination?—Oh, of course, the Crown must have the power of veto on that nomination.

17,970. The recommendation would be accepted, or not, by the Crown?—Yes.

17,971. You would expect it to be accepted as a rule?—That is what I mean.

17,972. With reference to the other seven, do you lay down any restriction as to the classes from which they would be chosen?—I did not expect to be asked to place before the Commission a definite scheme, but I should think that there should be three Indian judges; that is how it strikes me now; about three members might be Indian judges.

17,973. Three ex-judges out of seven?—Three ex-judges. Yes. Then if the members are ten there should be two Englishmen who have never been out to India, and two other persons who have been in India; they might belong to the Executive, or they might not belong to the Executive. I would not absolutely shut executive officers out.

17,974. You would reduce the representation of the Executive machinery of India to very modest dimensions?—That is because I feel our grievance is against them—not against any of the individual members, but against the system which makes them the judges of their own acts.

17,975. You say you are not expected to answer these questions, but, as far as the Government at home is concerned, it seems as if in your mind the efficiency of the control depended upon the composition of this Council?—Yes.

17,976. Therefore it is very important to have some idea—not a rigid one, but some idea—of the way in which you would like that Council to be constituted?—As a matter of fact, I do not expect that this Council would be modified in any way, or, at any rate, that there would be much modification in the constitution of this Council; but I have proposed a committee afterwards which would be a more effective committee of control; I attach more importance to that.

17,977. Who should be in London?—Who should be in London.

(*Sir Donald Stewart.*) Lord Welby, the witness is right in saying that the appointments to the Council here are made by the Secretary of State, but the Secretary of State's appointments are, as heretofore, submitted to Her Majesty for approval before they are published; that is the procedure, I believe.

17,978. (*Chairman.*) But the appointment does not actually state that it is made by the Queen?—Under the Act it is made by the Secretary of State; the names are submitted to Her Majesty for ratification.

(*Mr. Mowbray.*) Is that under the original Act.

17,979. (*Chairman.*) No; that is under the Act of 1869. Now then, perhaps, we will pass on to the point of the Government of India and the Finance Member?—Subject to the control of the Secretary of State, which often is only nominal, the Government of India can administer the Indian revenues practically as they please.

17,980. Would you let me just interrupt you there. I have some difficulty in reconciling that statement with what you have just told us; when speaking of the Secretary of State, you said the administration of the Indian revenues is now practically entrusted to a Cabinet Minister, assisted by a Council of his own nomination—a Minister who brings no special knowledge or experience of Indian affairs to the discharge of his duties, who, as a member of the Imperial Executive, naturally has an eye to Imperial politics; that all financial power in regard to expenditure—executive, directive and controlling—is centred in his hands, and that with all this vast concentrated power, he has really no responsibility except to the Cabinet of which he is a member, and of whose support he is always assured, and to Parliament where he has a safe majority behind him. I have some difficulty in reconciling that with your statement when you say "subject to "the control of a Secretary of State, which is often only "nominal"?—What I meant there was that that was the theory of the subject, and that in regard to any general questions of policy which involve large expenditure, the voice of the Secretary of State prevails; but, subject to that, in all ordinary matters the Government of India is practically able to count upon the assent of the Secretary of State. As a rule the Secretary of State adopts the views of the Government of India.

17,981. Then ought not your first statement to be made with some qualification, because it leaves us under the idea that the Secretary of State has the power of an autocrat in the matter of finance?—But the Constitution gives him that power, and how the Constitution is worked must depend upon the circumstances. I am now dealing with the actual working of the Constitution, but the Constitution gives, in the first place those, vast powers to him.

17,982. But should you not rather have stated it with that qualification, because I think anybody reading what

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you have stated to us would be under the impression that —I think these are your own words—the sole autocrat in Indian finance is the Secretary of State. Now it appears from this that you qualify this considerably in practice?—I would qualify my former statement by saying that under the Constitution he is so.

17,983. Would you go on?—The testimony of Sir Auckland Colvin and Sir D. Barbour on this point is of great importance. Sir A. Colvin was careful to point out that the present weakness of the Finance Member's position dates virtually from 1885. That being so, it is evident that the dissent of Lord Cromer, as also of Lords Northbrook and Ripon, from his and Sir D. Barbour's view is beside the point. It is true that Lord Lansdowne and Lord Roberts also do not endorse the view of the two Finance Members. But this was only to be expected, seeing that they themselves are the party against whom the complaint is directed. When Sir A. Colvin and Sir D. Barbour say that with the Viceroy on his side the Finance Member is as strong as he ought to be; and when they complain of the weakness of his position during their time, the only inference to be drawn from that is that the Viceroys under whom they served, viz., Lords Dufferin and Lansdowne, were not of an economical turn of mind; and, of course, we cannot expect Lord Lansdowne to concur in that view.

17,984. But, if it is the case that there has been a change of policy since 1885, it is quite possible that that change may have been necessary, is it not?—That view may be held on the other side; it is open to them of course to say that.

17,985. I mean, is it patent on the face of it that the Viceroy must have been wrong and the Finance Member right?—But I am expressing what is the non-official view of the matter; the official view, of course we know, is that it was necessary.

17,986. But, official view or non-official view, it does not really matter. It is sufficient to say that, when the Finance Member differs from the Viceroy, necessarily the Viceroy must be wrong?—Oh, I do not say that; but the presumption is that the Finance Member, being a member of the Executive Council, would not oppose a thing, if it were really necessary, merely on financial grounds. I would be disposed to attach something of extra importance to the opinion of the Finance Member.

17,987. That is attaching a very great weight, is it not, to the superiority of financial knowledge in the Council?—But that is because he occupies a unique position; he knows what the executive needs are, and he knows also what the country can afford. The other members think rather of the needs, as they take them to be, than of the finances.

17,988. Then how would you sum up the question?—The whole position may be thus summed up: (1.) The buffer of the Company's Government which fairly protected Indian interests is gone, and there is no effectual substitute; (2.) We have no effective constitutional safeguards against the misapplication of our revenues to extra-Indian requirements; (3.) The control vested in the Council of the Secretary of State under the Statute of 1858 is rendered almost nugatory by the alteration of its status under recent amending Acts. The mode of recruiting the Council is also radically faulty; (4.) The control of Parliament, as against the Secretary of State, has become entirely nominal, owing to the latter being a member of the Imperial Executive, with a standing majority behind him. The old periodical inquiry by Parliament and its jealous watchfulness are gone. In fact we have at present all the disadvantages of Parliamentary Government without its advantages. In the case of all departments except the Indian, ex-Ministers think it their duty and also feel it to be their interest to exercise the closest watch on the proceedings of their successors with a view to passing the most adverse criticism that may be possible. In regard to India alone, ex-Ministers vie with and sometimes even go beyond their successors in extolling all that exists and all that is done. The responsible opposition in this country thus abdicates its functions in the case of India only.

17,989. When you speak of the old inquiry by Parliament, I presume you refer to the inquiry which took place at intervals of 20 years into the constitution of the old Company?—Yes, at the time of renewing the Charter.

17,990. And you think that that was a valuable method of inquiry, which brought the whole question of the government of India before Parliament?—Yes.

17,991. But since the abolition of the Company in 1858, have there not been a great number of inquiries by Parliament into different branches of Indian expenditure—especially finance?—Yes, there have been; notably the Fawcett Committee, which came 20 years after 1853, and then this Commission, which comes 20 years after that; I know that, but there is such a great amount of trouble in getting these committees, and of course there is no constitutional safeguard that they will be readily granted.

17,992. The difference that you speak of lies in this, that, under the Charter of the old East India Company, these inquiries necessarily took place at the end of certain periods; under the present system you may have inquiries, probably equally valuable inquiries, but you have no security as to when, and under what circumstances, they will take place; is that it?—That is so, and there is another point also. In those days inquiries were made into the whole administration, while now generally certain points are specified. For instance, this Commission can inquire into expenditure, and not into revenue; there is that difference also.

17,993. There is another way of looking at that; if you appoint a Commission to inquire into everything connected with the administration, you generally find that from mere want of time it is obliged to slur over a good deal of its work. Do you not think there is a good deal to be said for appointing a Commission with a definite and more or less limited object; is it not more likely to get satisfactory results?—I quite admit the force of what your Lordship says, but there is this much on the other side, that the people could lay all their grievances before such a Commission, if it was a general one; and the fact that Parliament ordered these general inquiries before shows that they were alive to the importance of that consideration.

17,994. (*Sir William Wedderburn.*) And was it not a great point in those inquiries that the renewal of the Charter depended upon the Company showing that they had done good work?—Yes, that was so.

17,995. And that, previous to the inquiry, the Government of India was very anxious to put its house in order in every department?—I believe it was.

17,996. So that there was not so very much to find fault with by the time they came and asked for a renewal of their power?—I should presume that was so.

17,997. But now the officials know they have a permanent position, and they do not care much about public opinion in India?—Yes.

17,998. (*Chairman.*) You have drawn a distinction between the action of ex-Ministers when dealing with Home affairs and with Indian affairs, saying, with regard to India, that ex-Ministers vie with, and sometimes even go beyond their successors, in extolling what is done. May I ask, do the facts really bear that out? If we take the case of the cotton duties, I think we heard ex-Ministers extremely critical upon the conduct of Ministers who were responsible for the cotton duties?—But, my Lord, there was this distinguishing circumstance: The Government of India and the Secretary of State were not in agreement, and, therefore, those that were connected with the Government of India before, naturally took the side of the Government of India; but in connexion with the recent debate, for instance, on Sir William Wedderburn's motion Lord George Hamilton was not, if I may say so, quite able to put the case about famine insurance from the official side as strongly as Sir Henry Fowler did—well, in no other department do ex-Secretaries come to the rescue of the Secretary of State quite in that fashion; that is what I mean.

17,999. You make your statement rather sweeping, in drawing this distinction between the action of ex-Ministers in regard to English and in regard to Indian affairs. I have no doubt such a case as that you have mentioned could be adduced; but, on the other hand, I point out to you that Ministers received very severe criticism in Parliament on account of the cotton duties; and I might give you an instance on the other hand: there was a severe criticism on the actual Ministers in respect to the Dongola expedition—I am not saying in the least whether they were right or wrong?—It again comes under that category which I have mentioned, namely, when there is a difference between the Government of India and the Secretary of State.

18,000. I do not see the connexion between that case and that of which we are speaking. All I say is, that there is no kind of conspiracy of conduct between Ministers and ex-Ministers in regard to Indian affairs?—I do not say there is any conspiracy.

18,001-2. That is my own word?—But there is no interest felt practically by the ex-Minister in criticising the proceedings of his successor. In regard to the English

Budget, for instance, item by item there is a furious contest; whereas the Indian Budget is all passed or discussed in a few hours with empty benches, nobody feeling the slightest interest in the matter.

18,003. (*Sir William Wedderburn.*) But in the case of the cotton duties, to which the Chairman referred, I do not think Sir Henry Fowler proposed to take any action in the case until the end of the Session, when it was all settled and too late?—That was so.

18,004. And I do not think that he gave any assistance whatever, but rather was opposed to the motion with regard to the cotton duties which was made in the course of the session?—Yes; my point was that in the other departments ex-Ministers have a direct interest in discrediting the work—if I may use such a very strong expression—of their successors, showing up to the country practically that its affairs are not administered quite so well as they were by themselves. In regard to India there is no such motive.

18,005. (*Chairman.*) My outside experience leads me to believe that ex-Ministers are quite as ready to criticise their opponents in the Government in regard to India as in regard to any other matter?—I thought it was a sort of official etiquette not generally to oppose Ministers in regard to Indian matters.

To resume:—(5) the Government of India, as at present constituted, cannot be much interested in economy. Almost all internal administration having been made over to the Provincial Governments under the decentralization scheme, questions of foreign policy, large public works and military questions absorb almost the whole attention of the Government of India. Further, the Finance Member excepted, every other member of Council, including, since 1885, the Viceroy, has a direct interest in the increase of expenditure.

18,006. Well, in all governments there are heads of departments, who are interested in expenditure; that is not a peculiarity of the Indian Government?—But in India they are not afraid of the taxpayers, whereas in England they are afraid of the taxpayers, the control of the House of Commons being so effective.

18,007. It has been represented to us that, though they are not afraid of the taxpayers, at the same time heads of departments are aware that extravagant expenditure will necessitate increase of taxation, and they are aware that that is a serious matter?—Yes, but in England they have also to face a formidable opposition in order to pass their measure, whereas in the case of India there is no such thing.

(6.) Neither in England nor in India is there the salutary check of public opinion on the financial administration. Parliament is ill-informed and even indifferent. And the Supreme and Provincial Legislative Councils are simply powerless to control expenditure, since the budgets have not to be passed, and no resolutions in reference to them can be moved. Coming to the question of remedies, I think it is, in the first place, absolutely necessary that the Indian Budget should be passed item by item in the Viceregal Legislative Council. Government may retain their standing majority as at present, and that means an absolute guarantee that no adverse vote will ever be carried against them. We have no wish to see the Government of India defeated on any point in the Supreme Legislative Council, but the moral effect of recording and, so to say, focussing by means of divisions non-official disapproval of certain items of expenditure will, I expect, be very great. It must be remembered that, while large questions of policy can be discussed and settled with advantage only in this country, the details of Indian expenditure can be criticised effectively and with the necessary amount of knowledge only in India. I would also provide that, when a certain proportion of the non-official members of the Supreme Legislative Council, say more than half, are of opinion that the voting of a particular sum by the Council is prejudicial to Indian interests, they may, if they please, draw up a statement of their case and submit it through the Government of India to a Committee of Control which, I venture to suggest, should be created in this country. The creation of such a Committee of Control is a matter of the most vital importance. A Standing Committee of the House of Commons has been suggested, and would, I think, do very well.

18,008. You think a Committee of the House of Commons would do very well, although it belongs to a body that you have described as ill-informed, and even indifferent to Indian affairs?—But when certain members are specifically appointed to undertake a specific duty, I do expect that they will qualify themselves for that duty; or the Judicial Committee of the Privy Council might be entrusted with the work; or even the Arbitration Committee which now seems likely to be created might do for this purpose. And the duty of reporting to Parliament from time to time on matters of Indian finance might be assigned to it. But whatever the form, the Committee should have absolutely no powers of initiating expenditure, else, like the old so-called Board of Control, it will do more harm than good. The Committee should take cognizance of all appeals addressed to it by the non-official members of the Viceroy's Council, and might also call for papers of its own accord, and exercise general control over the administration of Indian expenditure. The proceedings should be reported to Parliament from time to time. If some such body were called into existence, the mere fact that non-official members will be in a position to appeal to it, thereby putting the Government of India and the Secretary of State on their defence, will have a tremendous moral effect, which will make for economy and sound finance in a very striking manner. There is nothing in this which will in any way affect the directive and executive powers of the Secretary of State or the Government of India. The plan provides only for a reasonable amount of control and will enable the representatives of Indian taxpayers, who have no powers of controlling expenditure, to make a complaint in a responsible and constitutional manner.

18,009. You say that there is nothing in this plan that will in any way affect the directive and executive powers of the Secretary of State or the Government of India; but you are vesting in the non-official members of the supreme Legislative Council a power of appeal to an outside body, which should on that appeal criticise, and report to Parliament on, the acts of the Executive. Now, without saying whether that would contribute to good government or not, it would be a very considerable interference with the executive power of the Secretary of State, would it not?—It would be this way: the Secretary of State or the Government of India might sanction a certain expenditure. This body might ultimately pronounce that the expenditure was not proper. The expenditure would have been incurred already; there would be no help so far, but it would have its effect afterwards.

18,010. Yes; but still, that power of a committee to report hostilely on the Secretary of State's action must be held to affect the executive power of the Secretary of State. It is an interference, surely, with the method in which the Secretary of State exercises his duties?—It would be a sort of control, and that would be necessary; but I do not see how it would be interference with his administrative work.

18,011. The Government would have an outside committee reporting upon their acts. It is very true it might not prevent the Secretary of State from giving an order, but it would be a very serious check upon him, which is no doubt what you seek. So far as it exercises that check upon him, it is an interference with his powers, do you not think so?—But your Lordship has already dwelt on the great importance of the effect of the independent audit. Now, arguing as you are now doing, might it not be said that that audit is an interference with the work of these Ministers? The audit would point out any irregularity, and that would be a sort of——

18,012. The independent audit merely reports whether the expenditure is in accordance with the law, or with Government orders, which are equivalent to law. In this case, as I understand it, the non-official members are to criticise the policy, and this Committee of Control is to report to Parliament on the policy of the Secretary of State. That is not the same thing as seeing whether the expenditure is legal or not?—The Committee would not veto the action of the Secretary of State or of the Government of India, but they would only report to Parliament.

18,013. (*Sir James Peile.*) Would they take evidence?—Yes.

18,014. And put the Government of India on its defence?—The Government of India would draw up a statement and send it up to that Committee; and, if the members wanted any more information, they might call for it; but we must really have some control of policy of that kind.

Thirdly, I would next suggest that, as a rule, the Council of the Secretary of State should be recruited from persons unconnected with the Indian Executive, and that a reasonable proportion be appointed on the recommendation of the representative members of the Indian Legislative Council.

18,015. (*Chairman.*) Is that the Council you are speaking of now?—No, it is the Secretary of State's Council. I do not disturb the Council very much.

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Fourthly, I would suggest that section 55 of the Government of India Act of 1858 be amended. This section as it stands at present enacts that "except for preventing "or repelling actual invasion of Her Majesty's Indian "possessions, or under other sudden and urgent neces- "sity, the revenues of India shall not, without the "consent of both Houses of Parliament, be applicable "to defray the expenses of any military operation "carried on beyond the external possessions of such "frontiers by Her Majesty's forces charged upon such "revenues." Now, this only safeguards the controlling powers of Parliament, and does not provide, as is commonly believed, against the diversion of our moneys from their legitimate use, the only thing secured being that the sanction of Parliament shall be obtained for such diversion. No doubt this is good, as far as it goes, but it is not sufficient, and I would press for an express and absolute statutory provision, giving us a complete guarantee against the misappropriation of our revenues for purposes unconnected with our interests. I therefore beg to suggest that section 55 of the Government of India Act of 1858 be so amended as to provide that, except in case of actual or threatened invasion, the revenues of India shall not be used for military operations beyond the natural frontiers of India, unless, at any rate, a reasonable share of such expenditure is put on the English estimates. I would further suggest that the frontiers of India should be definitely declared by statute, and should not be liable to extension without statutory amendment.

18,016–17. Then your proposal would be that, these frontiers having been defined, under no circumstances should India contribute towards any operations outside those frontiers unless a part of such expenditure is put on the English estimates. For instance, supposing it was a question of maintaining the independence of the Suez Canal—that is beyond the frontiers of India—I take it your law would not prevent the Government of India from contributing to the operations necessary for that purpose, provided always that the English Government took a share?—It would come to that.

Fifthly, I would urge that the elected members of the Legislative Councils of Madras, Bombay, Bengal, North-Western Provinces, and now Punjab and Burmah, be invested with the power of returning to the Imperial Parliament one member for each province. Six men in a House of 670 would introduce no disturbing factor, while the House would be in a position to ascertain Indian public opinion on the various questions coming up before it in a constitutional manner. I may mention that the small French and Portuguese settlements in India already enjoy a similar privilege. Here, again, I rely more upon the moral effect of the course proposed than upon any actual results likely to be directly achieved. Though only six in number, the Indian members, acting unanimously on any Indian question, would adequately represent the state of Indian public opinion on the subject, and Government would have to take note of that. Indian representatives in Parliament would further greatly strengthen British rule in India by giving the Indian people a tangible and gratifying proof of India being really considered a part and parcel of a great and free empire.

18,018. You say truly that six men in a House of 670 would introduce no disturbing factor. Do you contemplate that these Indian members should have full voting powers; in fact, that they should vote our taxes?—Yes, I think so.

18,019. You see no objection from that point of view?—I see no objection.

18,020. Of course, if you had such members representing Indian interests, it would open the door to more interference on the part of Parliament with Indian affairs?—But these men by themselves would not do anything unless they were able to induce others to share their own views; that means something important, I think.

18,021. (*Sir Donald Stewart.*) How would you secure unanimity of opinion between the six?—I do not secure it. If they were unanimous on any Indian question, that would mean that public opinion in India was strong upon that point.

18,022. (*Mr. Courtney.*) Your proposal is that each one of the six should be elected by a separate electorate?—Yes. There are the Legislative Councils in the six provinces already elected by the people; and the members of the Legislative Councils should elect a member each.

18,023. (*Mr. Mowbray.*) Might those be either people sent from India or people in England?—Any people; I would impose no restriction.

18,024. With regard to the Portuguese settlements that you spoke of, are the elected members Portuguese residents in India who are sent over to Portugal?—I do not think there is any restriction; they can send whom they please; they must be men in their confidence, that is all.

18,025. (*Mr. Courtney.*) The French have representatives of all their colonies in the Legislative Assembly?—The colonies of England are self-governed, therefore, they do not want representation in the Imperial Government. We are the only dependency without any representative government, therefore we must be provided for either here or there.

18,026. Not quite the only dependency; Ceylon may be much smaller, but Ceylon is a case?—But Ceylon is very nearly a self-governing colony. Ceylon has its Council, which is much more representative than our Council; it is nearly a self-governing colony.

18,027. (*Chairman.*) Your proposal is not for direct election of those members whom you would send to the Imperial Parliament; they are to be chosen indirectly, as it were by a college, namely, the members who have been already elected to serve in the Legislative Councils?—Yes, that would be so. The great advantage that we would then secure is this: At present, private members take up the cause of India, but the officials come down upon them, and say, "These are only self-constituted members for India"; these six Indian members will be men who are really representative of India; and, if they are unanimous, that will be of great moral strength to us.

18,028. Have you any suggestions that you would like to make with respect to the Viceroy?—Yes, there is one. The last suggestion that I have to make on this subject is that, as far as possible, Indian Viceroys should be selected from among men who have earned a distinct position for themselves for their grasp of intricate problems of finance. Among the first Ministers of England, no greater names can be mentioned than those of Walpole, Pitt, Peel, Disraeli, and Gladstone; and all these men were great Finance Ministers. I know that men in the very front rank of English politics do not care to go to India, but all the same, if men noted for their knowledge of finance were induced to accept the Viceroyalty of India, the arrangement would produce decidedly beneficial results. It would be a great advantage to all if the Viceroy, instead of being his own Minister for Foreign Affairs, were to be his own Finance Minister. At any rate, his immediate connexion with the Foreign Department should cease, the Department being placed, like other departments, in charge of a separate member of the Executive Council.

18,029. Do you mean by your suggestion that no one should be selected for the post of Viceroy who has not been Chancellor of the Exchequer?—Oh, I do not mean that, because no Chancellor of the Exchequer would care to go to India.

18,030. Well, I put the case very broadly in that way, because you said that the persons should be chosen among men who have earned for themselves a distinct position for their grasp of intricate problems of finance; I wanted, therefore, to see the class of men to whom you would restrict the field of choice?—I believe that in the debates in the House of Commons some men specially distinguish themselves in the discussions about finance; or there might be persons who have been connected for a long time with the Financial Department; it is so difficult to say definitely.

18,031. What you mean is such a member as the late Mr. Fawcett was?—Oh yes, the late Mr. Fawcett would have done very well.

18,032. That is the class of man you mean?—That would be a very proper name.

18,033. (*Mr. Courtney.*) But there would be no tangible test of qualities in such a man as that?—The test would be that the man would be willing to take the Financial Portfolio when he goes to India, so that, unless he really liked finance, he would not do that.

18,034. (*Chairman.*) Would not that be open to very much the same objection which, I understand, you advanced against the present practice in which the Viceroy is his own Foreign Secretary? As I understand your objection, it is that the Viceroy should not be Minister of any special Department, and therefore you object to his being the Foreign Secretary. Might not objection be taken equally well to his being Finance Member?—He should not be Minister of any spending department, that is what I mean; otherwise, he is directly interested in spending.

18,035. Might there not be a certain risk in making the Viceroy a specialist in this way? Important as most of us think finance to be, a man who had only an eye to finance

might make in government grievous mistakes, might he not?—Sir Robert Peel and Mr. Gladstone made extremely able Prime Ministers of England, and they were both Chancellor of the Exchequer and Prime Minister at one time; Mr. Gladstone was at one time both Chancellor of the Exchequer and Prime Minister, and so was Sir Robert Peel also.

18,036. But the Viceroy, of course, is the head of the executive Government; and objection has been taken here to the Prime Minister taking a particular branch of administration into his own hands, as a question of principle. Sir Robert Peel was only Chancellor of the Exchequer for a few months in 1834; but, of course, you are perfectly justified in quoting his case, as he was Prime Minister and Chancellor of the Exchequer at the same time: Now we come to the subject of provincial finance?—I now come to the very interesting and important subject of Provincial Finance. While gratefully acknowledging that the decentralization policy has done a great deal of good, even as far as it has gone, I think the time has come when an important further step ought to be taken. It is now 15 years since this policy was carried to the point at which it now stands by the Government of Lord Ripon. The fact that nearly the whole internal administration of the country is in the hands of the Provincial Governments explains why the people of India are so anxious to see the position of Provincial Governments in the matter of finance strengthened much more than it is at present. The expenditure administered by the Provincial Governments is principally devoted to objects which are intimately connected with the well-being of the people, and the larger, therefore, this expenditure, the better for them. The chief defects of the existing arrangements are the following:—The "so-called Provincial Contracts," to use Sir James Westland's expression, are really only one-sided arrangements practically forced on the weak Provincial Governments by the Government of India, which is all-powerful in the matter. The contracting parties not being on a footing of equality, the Government of India virtually gives the Provincial Governments such terms as secure the maximum advantage to itself; and the power which it possesses of disturbing the contracts even during the period of their currency leaves the Provincial Governments in a state of helplessness and insecurity, and all this is very prejudicial to the interests of the internal administration of the country. A reference to the tables, given on pages 47 and 48 of the Appendix to Section I. of the evidence recorded by this Commission, will at once show how at each successive revision the Government of India, while keeping to itself all the growth of revenue which had accrued to it as its share of the normal expansion, has, in addition, resumed a large portion of the share of growth that had accrued to the Provincial Governments, compelling them thereby to cut down their expenditure in the first year or two of each new contract. Thus, taking Bombay as an illustration, we find that in 1886–7, the last year of the Contract of 1882, its expenditure was Rx. 3,998,912. This expenditure had, however, to be reduced to Rx. 3,814,500 in 1887–8, the first year of the next contract, and it was not till 1891–2 that the level of 1886–87 was again reached, when, at the next revision, it was again put back. The same was the case with almost every other province. How sore is the feeling of Provincial Governments on this subject may best be seen from the following remarks, which the Lieutenant-Governor of Bengal thought it his duty to make on the matter in the Supreme Legislative Council last year:—"I must say I "deprecate the way in which these quinquennial revisions "have too frequently been carried out. The provincial "sheep is summarily thrown on its back, close clipped "and shorn of its wool, and turned out to shiver till its "fleece grows again. The normal history of a provincial "contract is this—two years of screwing and saving and "postponement of works, two years of resumed energy on "a normal scale, and one year of dissipation of balances, "in the fear that, if not spent, they will be annexed by the "Supreme Government, directly or indirectly, at the time "of revision. Now all this is wrong, not to say, "demoralizing. I say the Supreme Government ought "not to shear too closely each quinquennium. It is as much "interested in the continuity of work as the Provincial "Governments, and ought to endeavour to secure this "and avoid extreme *bouleversements* of the provincial "finances. . . . . It would be an immense gain to "local administrations if the Government of India could "see its way to renewing the contracts with as little "change as practicable on each occasion. It is only in "this way that the element of fiscal certainty, which was "put forward in 1870 as one of the main objects of "decentralization, can be secured. Hitherto we have had "but little of certainty." A similar protest was made last year by the Lieutenant Governor of the North-West Provinces from his place in the Legislative Council of that Province; and this year the Government of Madras has addressed a very strong remonstrance against the surrender of an additional 24 lakhs of rupees a year demanded by the Supreme Government.

18,037. You say that the Supreme Government is in a position to secure on revision of the contract the maximum advantage to itself, and you have given us the instance of Bombay; but could you give us any general figures on the point?—Yes, I have taken out figures in connexion with the progress of expenditure.

18,038. Could you make use of them to explain your view to us?—The present contracts are on the basis in which they were made by Lord Ripon's Government in 1882–3. Since then there have been two more revisions. It is interesting to note how the growth of net expenditure has been divided between Imperial and Provincial since 1882, when provincial finance was placed on its present basis. Putting together Tables I and 21 of Sir H. Waterfield, we have the following result.

Year.	Total Net.	Provincial Net.	Imperial Net.
	In crores of rupees.	In crores of rupees.	In crores of rupees.
1882–83 -	41·79	10·98	30·81
1883–84 - -	41·66	10·83	30·83
1884–85 -	41·90	11·62	30·28
1885–86 - -	45·43	12·27	33·16
1886–87 -	44·55	12·12	32·43
1887–88 - -	47·37	12·35	35·02
1888–89 -	46·44	12·52	33·92
1889–90 - -	47·34	13·10	34·24
1890–91 -	45·66	12·64	33·02
1891–92 - -	49·50	13·60	35·90
1892–93 -	52·43	13·40	39·03
1893–94 - -	51·87	13·33	38·54
1894–95 -	52·74	13·13	39·61
Increase in 1894–95 over 1882–83.	10·95	2·15	8·80

18,039–40. You might give us three years (not to give us the whole mass of figures), 1882–3, 1889–90, and 1894–5; I think that that would exemplify your contention?—I would put it in this way: 1886–7 was the last year of Lord Ripon's provincial contract; the provincial expenditure in that year amounted to Rx. 12·12, and this expenditure was 13·13 in 1894–5. There has been altogether an increase in those 13 years of Rx. 2,000,000; out of that more than one-half was in the first four years.

18,041. You say the provincial net expenditure was 12·12, and in the last year 13·13?—Yes, therefore it is less than one million, but the total is 2·15.

18,042. From the beginning?—Therefore, I mean that during the first four years the increase was more than one half of the total increase.

18,043. Let us put it in this way; in your first year, 1882–3, the provincial net expenditure was 10·98, that is very nearly Rx. 11,000,000, is it not?—Yes.

18,044. In 1894–5 it was 13·13?—Yes.

18,045. Showing a difference upon that whole period of 2·15?—Yes.

18,046. But now I want you to show the effect of these new contracts by showing what has happened to the Imperial Government?—Yes. If your Lordship will allow me, I will read five or six lines I have written in explanation of this table:—It will be seen that, while the expenditure of the internal administration of the country has been allowed to increase in 13 years by only a little over two crores of rupees, the expenditure administered by the Government of India has increased during the time by nearly 9 crores. It may also be added that, during the three years of Lord Ripon's viceroyalty which belong to this period, the net Imperial expenditure was not only not increasing, but actually showed a tendency to decrease. On the other hand, more than half the increase in provincial expenditure took place in the first four years, *i.e.*, during the currency of the provincial contracts made by Lord Ripon's Government. Your Lordship will see that the provincial expenditure for 1885–6 is 12·27; the next year it is 12·12; and then your Lordship might come to 1891–2, when it is 13·60, then there is 13·40 again; it is put back at each revision, while the

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Imperial expenditure, on the other hand, has been going higher up.

18,047. You point out that over the whole period the provincial expenditure has risen by 2·15 on about 11 ?—Yes.

18,048-9. While the Imperial net expenditure has risen by very nearly 9 on 30. Is the difference in percentage between those two very great ?—Well, I fear it is not quite right to put it in that way.

18,050. In rough figures the Imperial expenditure is a little more than three to one of the provincial ?—Yes, at the starting.

18,051. Multiply 2·15 by 3 and you would be getting on for 7 ?—6·45.

18,052. While the increase in the Imperial was very nearly 9 ?—Yes, nearly 9.

18,053. Therefore you see by those figures that the Imperial net expenditure has increased at a greater rate than the provincial net expenditure ?—Yes.

18,054. Your Imperial net expenditure is on a limited number of services, I suppose, is it not ? You exclude debt, do you not ?—The debt, of course, belongs to the Government of India; the Provincial Governments have nothing to do with debt.

18,055. But how do you make up your Rx. 30,000,000 ? What services make up the 30·81 in 1882-3 ?—Sir Henry Waterfield has given all that in his evidence. You have the Army, for instance, in the first place; then there are certain services which are directly under the Government of India, and there are railways, the deficit on railways; there are some irrigation works also which are still under the direct control of the Government of India; then the home remittances; all these come under the Government of India, whereas the administration of each province is entrusted to the Provincial Government.

18,056. But you see the total net expenditure on these services is only, in the last year of your figures, 52·74 ?—Yes.

18,057. And, of course, there is a very large sum beyond that to make up the budget of Indian expenditure. What is the difference, because what you call the Imperial net expenditure does not represent the whole of the expenditure of the Indian empire ?—No. I have taken the figures given by Sir Henry Waterfield. 52·74 is given net, but he excludes cost of collection; that is a matter of difference between him and us. Then there are about 25 crores on railway account, that is also eliminated, and then, I think, though the nominal Budget is for 96 crores the net budget is practically 52·74, according to Sir Henry Waterfield's way of putting it, or about 60 crores according to our view, including the charges of collection. Excluding the charges of collection, and all those other things, it stands at 52·74.

18,058. And those are Sir Henry Waterfield's figures ?—Those are Sir Henry Waterfield's figures; I have said that.

18,059. Do you out of those figures prove, or consider that you could prove, that the Imperial Government has taken more than its fair share of the increase of these provincial revenues ?—Oh, yes, much more than a fair share; if the contracts had continued as they had gone on before, then the Imperial share would have been less, because Sir Henry Waterfield himself gives in the Tables 47 and 48 how much was resumed each time from the Provincial Governments by the Imperial Government. I can give all those figures, if your Lordship pleases.

18,060. I do not quite see that the Imperial net expenditure proves that, because part of the Imperial net expenditure might have been derived from an increase of the revenues reserved to the Imperial Government ?—No, but the facts are here. I will just read them out to your Lordship; I did not put them separately in, because they are all contained in Sir Henry Waterfield's own statement that so much was resumed each time. Here they are. First contract (1870), gain to Imperial Treasury ·33. The second contract, in 1877, gain to Imperial Treasury, Rx. ·40 million.

18,061. ·40 is Rx. 400,000 you may say, putting it very roughly ?—It would mean Rx. 400,000 roughly. The third contract was in Lord Ripon's time, 1882-3, when he took nothing from the Provincial Governments. The fourth contract was in Lord Dufferin's time, when the Supreme Government took ·64 million Rx. in addition to what was legitimately the increase of the Government of India. In Lord Lansdowne's time, 1892-3, they took again ·46 million Rx. from the Provincial Governments. These are apart from the contributions occasionally demanded; they are separate.

18,062. And you would hold that each of these percentages is so much taken, in addition to the Imperial Government's share of normal increase, out of that proportion which at first, it was thought, might fairly be given to the Provincial Governments ?—Yes, it was that.

18,063. And do you make a total out of these ?—It would be 1½ millions, or more accurately, 1,800,000*l.*; it would be like that—all these revisions.

18,064. Rx. 1,800,000 ?—Yes, altogether.

18,065. And that is the sum that you contend the Imperial Government has taken away from the provincial revenue, which would better have been left in the pockets of the Provincial Governments ?—Yes, that is what I think. If your Lordship will look at this table given on pages 47 and 48, of Sir Henry Waterfield's published evidence—he gives here the tables of the provincial contracts, the different provincial contracts—it will be seen that in the last year of each provincial contract the expenditure of the Provincial Governments is much larger; the first year of the new contract the expenditure has to be reduced, because the Imperial Government takes away a large portion.

18,066. If that extra sum were left in the pockets of the Provincial Governments it would increase by that amount, would it not, this Rx. 13·13 millions which appears against the year 1894-95 in the table ?—Yes, it would.

18,067. And, if you took that sum off the Imperial net expenditure and added it to the provincial net expenditure, the position would be reversed, and the provincial net expenditure would have increased at a greater rate than the Imperial net ?—No, it would not quite come to that.

18,068. Just put the figures for yourself ?—There is Rx. 13·13 millions.

18,069. And adding Rx. 1,800,000 ?—But Rx. 1,800,000 is from the beginning, from 1870, taking the first contract.

18,070. Taking the year 1870 ?—For the purposes of my table, we must add these last two figures only.

18,071. It will quite suffice; you have given us Rx. 1,800,000 as your figure ?—That includes also the resumptions of 1870 and 1877, since the first original contract was made. Beginning with 1882-83, there were only two resumptions, one by Lord Dufferin and one by Lord Lansdowne; they come to Rx. 1,100,000 millions, ·64 and ·46; those are the only two.

18,072. That is, 1·1 ?—Yes.

18,073. Add it to 13·13 you get 14·23 ?—14·23.

18,074. Take 1·1 off 39·61 and you get 38·51 ?—38·51.

18,075. The comparison would be 14·23 against 38·51 ?—Yes. Then it would be like this; it would be a little over 3, on the left side, the net provincial (I deduct 10·98 from 14·23); then that would give 3·25 as the provincial increase. On the other side I take away 1·1 from 39·61, that would mean 38·51, and from that I take away 30·81; that leaves 7·70.

18,076. Therefore, you say, if that were done, the proportion would be reduced very much ?—Well, slightly; not very much.

18,077. But it would be reduced ?—Yes; but it should be remembered that the level of the expenditure, the imperial level and the provincial level, are not based on any proportion; there are certain revenues that go exclusively to the Government of India.

18,078. That was why I wanted to draw your attention to this table, because it seemed to me that you could not really compare the two services, the provincial net and the imperial net; different causes were acting upon them?—But, where they actually resume provincial revenues, that constitutes——

18,079. Confining yourself to the Rx. 1,800,000, which, in your opinion, ought to have gone to the Provincial Governments; if that had been done, would it not have necessitated increase of taxation in order to meet these Imperial charges ?—As your Lordship has brought out in one of the questions recorded in the evidence, when there is a special reserve available, then the expenditure has a tendency to increase; but when Government has to face the unpopularity of imposing extra taxation, it would think twice before it increased expenditure. Meanwhile, if the money had gone to the Provincial Governments, education, police reform, separation of judicial and executive functions, these very necessary reforms would have been carried out.

18,080–1. Carrying out that argument, would you reduce the Imperial revenue to *nil*, in order that the Imperial expenditure might be correspondingly reduced?—Oh, certainly not, but there is ample provision already; they have already secured to them a certain portion of the normal increase.

18,082. That is rather an assumption, is it not? Supposing that competent authority—I do not say they are right—thought that this increase of expenditure was necessary, it would have involved increase of taxation? —That only means that we have to say nothing against what the Government of India may do. It comes to that ultimately. I would only say this, that the Provincial Governments are as much interested in the good government of the country as the Imperial Government. They are certainly not irresponsible, as some of us are called—these Governors and Lieutenant-Governors—and when they say, "You should not take so much from us," that means something.

18,083. Did you not say that the heads of Departments did not care for finance, but only cared for the efficiency of their Departments? Does not the same thing apply to the Provincial Governments, and will not their tendency be to look simply to the efficiency of their own government, with a certain carelessness as to what the Finance Member might in the end have to do in the way of increasing taxation?—All English officers think of the safety of India first, and second to that, they think of the success of their own administration. Besides, this tendency of which your Lordship has spoken in itself does not deserve to be condemned; it depends on what the department is in regard to which it is exercised. If the Provincial Governments want to increase their expenditure, we think that is perfectly legitimate; when the Imperial spending departments, military and others, want to increase their expenditure, we feel we must protest—that is all.

18,084. Therefore, if the Judicial Department wanted to increase its expenditure, they must necessarily be extravagant; but if the Provincial Government want to improve a service, that necessarily is economical?—But the Judicial Department is under the Provincial Government.

18,085. Take an Imperial service then?—The Army.

18,086. The Army is struck off; give me another instance?—The railways.

18,087–8. Whatever is imposed by the Imperial Government by way of increase of expenditure on railways must be extravagant; but whatever is proposed by the Provincial Government must be economical?—I do not quite say that; but the Provincial Governments deal directly with matters which are properly connected with the enlightenment and progress of the people. And our Indian people's view, at all events, is that we are more interested in provincial than we are in Imperial expenditure. Of course, this is our criticism of what the Government have been doing; the Government must certainly be able to allege reasons on the other side, else they would not have done it.

18,089. But each department is interested in its own efficiency, and has the same tendency to, I will not call it extravagance, but to free expenditure, which perhaps the general finances will not bear; and there is the same tendency on the part of the Provincial Government as there is on the part of the Imperial Government?—That is true; but if the Educational Department, for instance, wanted to increase its expenditure, I would welcome that tendency; if the Military Department wanted to increase its expenditure, I should be very jealous and should protest.

18,090. But, on the whole, your plea is one for additional expenditure?—Yes. The Provincial Governments must increase their expenditure very much.

18,091. And, in consequence, have additional taxation? You would give this 1,800,000*l.* over to the Provincial Governments to spend?—Yes, I would.

18,092. You have got no means of showing that the Imperial net expenditure could be reduced by that sum; would that be possible?—That might be possible.

18,093. But you have got no means of showing so? If that is not possible, then the whole expenditure of India would be increased by 1,800,000*l.* Your plea, therefore, in that case would be for an increase of expenditure, and, inasmuch as it is only about in equilibrium at the present moment, that would be a plea for increase of taxation; must not that be the result?—I have faith in the Government's fear to face the unpopularity of increased taxation, and they will reduce their expenditure, I think.

18,094. Now will you pass on to some further remarks upon the principle upon which these contracts are based? —I have pointed out one defect of the provincial contracts, namely, that they are one-sided arrangements forced upon the weak Provincial Governments by the powerful Imperial Government. Secondly, there is no fixed or intelligible principle on which these contracts are based, no uniformity in their plan, no equality in the burdens which they impose on the different provinces. The share of Imperial expenditure which the different provinces have to bear is not determined by any tests of population or revenue. A calculation, made by Sir James Westland and printed on page 400 of the second volume of the Finance Committee's report, gives the following results:—

The proportions or percentages of revenue surrendered by each province to the Supreme Government are as follows:—

	Per cent.
India Districts (General)	26
Central Provinces	56
Burma	58
Assam	51
Bengal	68
North-West Provinces	76
Punjab	45
Madras	52
Bombay	46

The contribution of each province per 100 of the population is as follows:—

Province.	Rupees contributed per 100 of Population.
	Rs.
Central Provinces	71
Burma	312
Assam	97
Bengal	107
North-West Provinces	177
Punjab	82
Madras	123
Bombay	155

These figures are sufficient to show the totally arbitrary character of the present contracts. The fact is that these inequalities are a legacy from the pre-decentralization period, when the expenditure of the different provinces was determined, as men like Sir Charles Trevelyan, Sir John Strachey, General Chesney and others have put it, not by the resources or requirements of those provinces, but by the attention that their Governments succeeded in securing from the Central Government, *i.e.*, by the clamour that they made. And when the first step was taken in 1870 in the matter of decentralization, the level of expenditure that had been reached in the different provinces was taken as the basis on which the contracts were made, and the inequalities that then existed were, so to say, stereotyped. I think it is high time that an effort should be made gradually to rectify these inequalities.

18,095. Then your criticism in this matter is, not so much that there should be one uniform percentage levied on the provinces, as that the present division is a purely arbitrary one; that it is not based upon the ascertained requirements of the provinces, or their claims upon the central Government for special consideration, but that it is a hand-to-mouth arrangement, based upon a state of things which existed before the new provincial system was introduced?—That is so, and also this, that the burdens ought to be more fairly distributed. It is very hard on certain provinces—for instance, Madras is very hardly treated; we are better off in Bombay, but the North-West Provinces are very badly treated also. And there is another point, Government has now added Burma. This new province required a large outlay to begin with, that burden has to be shared by all the other provinces without any principle, so, if there was any limit like that, the burden would be thrown equally upon all.

18,096. The proportion of revenue surrendered by Burma to the Supreme Government was rather a high one —58 per cent.?—That was Lower Burma. This was written in 1886 by Sir James Westland when he had the Accounts of 1884 before him; Upper Burma was not annexed at that time.

18,097. But even at that time is it not the case that Lower Burma was an expensive province to the Imperial Government?—Lower Burma was not.

18,098. Not at that time?—And there is another peculiarity. Burma is very thinly populated, so that the

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number of rupees contributed per 100 of population is 312; and, if your Lordship will look at the proportion of revenue surrendered by Burma, it will be found to be 58 per cent., or more than one-half.

18,099. That is the figure I have before me. Your contention would be, therefore, that the contribution required by the Imperial Government was excessive in Burma?—Yes, in Lower Burma; I am not referring to Upper Burma, which was annexed in 1886.

18,100. No, I quite understand. Now, take another of these provinces, and perhaps you would apply the same reasoning to that—any one you like?—Say the North-West Provinces. They are called upon to contribute 76 per cent. of the revenue to the Imperial Government, and Bengal is called upon to contribute 68 per cent.

18,101. Now, has the Imperial Government to contribute very largely in return to the North-West Provinces?—I do not think so. They do not contribute to any of the provinces.

18,102. And you base upon that your contention that the rate of contribution is entirely arbitrary in each case?—That is what I say. It is, moreover, the official view itself. Sir James Westland, who is now Finance Member, himself constructed these tables.

18,103-4. But you are not in any way arguing for a rigid 50 per cent. to be levied, we will say, from all the provinces?—That should be the ideal that we should keep before ourselves, and it should be gradually reached; that is what I mean. I will explain how that could be reached afterwards; in fact Sir Charles Elliott's proposals aim at that.

18,105. Perhaps you will proceed?—The third defect of the existing schemes is that, while it operates as a check on the growth of provincial expenditure, it imposes no similar restraint upon the spending propensities of the Government of India. The only way in which these defects could be remedied, was clearly pointed out by four members of Lord Dufferin's Finance Committee. They were the President, Sir Charles Elliott, late Lieutenant-Governor of Bengal, Sir W. W. Hunter, Mr. Justice Cunningham, and Mr. Justice Ranade. In a note which they submitted to the Government of India on the subject, they made the following four proposals, and urged that their adoption would be attended by very beneficial results:—(1) That there be no divided departments, but that those departments of receipts and expenditure which are now wholly or almost wholly Imperial, or which it may be found convenient to make Imperial, should be set on one side for Imperial purposes, and that the receipts and expenditure of the provincialised departments should be entirely provincial. (2.) That whatever the sum be by which the Imperial expenditure exceeds the income from those sources of revenue which are not provincialised, that sum should be declared the first charge on the Provincial revenues. So this provides fully for the interests of the Government of India.

18,106. But would not the result be very much the same as it is now?—No, it is not so. The scheme, in the first place, secures greater fixity to the Provincial Governments.

18,107. Do you propose to show that to us afterwards?—Yes. (3.) That the provincial surplus which arises from the excess of receipts over expenditure should be the fund from which, in the first place, all Imperial necessities should be met before any increase can take place in provincial expenditure. (4.) And that as regards the future growth of revenue, it should, as far as possible, be divided equally between Provincial and Imperial, subject to the condition that if the Imperial exigencies ever required a larger share, the Imperial share should be increased. Taking the accounts of 1884-85, Sir Charles Elliot and the other members thus illustrated the working of their scheme: They proposed that opium, salt, customs, tributes, post office, telegraph, mint, interest on debt, superannuation receipts and charges, the East Indian, Eastern Bengal, Guaranteed and Southern Maratta Railways, military works, Army, exchange and home charges, should be wholly Imperial, and that the Government of India should also bear the charges and receive the revenues of the Imperial districts, *i.e.*, the parts of India which are not included in the provinces. On the other hand, they proposed that land revenue, stamps, excise, assessed taxes, forests, registration, and the civil departments should be wholly Provincial, such heads as stationery, printing, miscellaneous, and railways, canals, and other public works as were already Provincial, continuing to remain so. The accounts of 1884-85, excluding Provincial rates, were as follows:—

	(In Thousands of Rupees or Hundreds of Rx.)		
	Imperial.	Provincial.	Total.
Revenue - -	503,569	175,537	679,106
Expenditure -	505,066	174,854	679,920

These accounts, on the basis of readjustment suggested above, would have stood thus:—

	(In Thousands of Rupees or Hundreds of Rx.)		
	Revenue.	Expenditure.	Surplus or Deficit.
Imperial - -	326,799	505,365	- 178,566
Provincial -	354,307	176,559	177,748

Your Lordship will notice that Rx. 35,000,000 is the revenue at the disposal of the Provincial Governments, out of which Rx. 17,000,000 they spend for themselves, and the rest they hand over to the Imperial Government. This means that on the basis of division proposed, the provinces would have to pay about 17¼ crores, *i.e.*, about 50 per cent. of the revenues made over to them to the Imperial Government to enable the revenue of the latter to come up to its expenditure. This scheme, if adopted, would have the following advantages over the existing arrangements:—

(*a.*) It would remove all irritation at present felt by the Provincial Governments and secure to them, under ordinary circumstances, half the normal growth or revenues in their provinces, enabling them thereby to make steady efforts towards the progressive improvement of the internal administration of the country.

(*b.*) It is, of course, not possible to secure *at once a* complete equality in the burdens which the Imperial expenditure imposes upon the different provinces. Provinces that contribute less than half their revenue to the Imperial Exchequer, cannot be suddenly called upon to reduce their own expenditure and pay their full share with a view to reducing the share of those that at present contribute more than half. Existing facts after all must be respected and the present level of expenditure in the different provinces must be left untouched. But the effect of contributing to the Imperial Exchequer an equal portion of all future increase in revenue (viz., 50 per cent.), will be that year by year the relation which the contribution of a province bears to its revenue will tend more and more towards equalization. Thus the provinces which now pay, say, 60 per cent. of their revenue will, after paying only 50 per cent. of their increase for some years, be found to have dropped down to a ratio of 58 or 57 per cent. And similarly in the provinces which pay less than 50 per cent. at present, the ratio will constantly work itself up to 50 per cent. The proposed scheme, while making ample provision for the necessities of the Central Government, imposes at the same time something like a check on its spending propensities. It secures to that Government the entire normal growth of the imperialised items of revenue and also half that of the provincialised items, and leaves to it besides the power to demand more than half in times of sore need. But it is expected that in ordinary years more than half the normal growth of provincial revenues will not be devoted to non-provincial purposes. The adoption of the scheme will place the financial system of India once for all on a sound basis and will bring it more in a line with the federal systems of finance in other countries, such as Germany, Switzerland, and even Canada and the United States. In these countries, so far as I have been able to gather, the central and constituent governments have their separate resources, but the latter are called upon in Germany and Switzerland to make special contributions on extraordinary occasions. There is one safeguard which I would add to the foregoing scheme and which, I think, is very important. It is this, that the Government of India should have no power of claiming for itself a higher proportion of the provincial increase than 50 per cent., except in

those extreme cases described by Lord Ripon's Government as dire necessities, and that, whenever in the opinion of the Government of India those extreme cases arise, a formal declaration of the grounds on which such opinion is based should be drawn up and sent to the Secretary of State to be placed by him before Parliament. Moreover, the increase should not be allowed without the sanction of the Secretaries of State, so that the Provincial Governments, if they wanted to protest against it, would have an opportunity of doing so. I am confident that the Provincial Governments in India will welcome such a settlement of the question. Before concluding this portion of my evidence, I may be permitted to remark that it would have been a matter of general advantage if representatives of Provincial Governments had come here to give evidence on this subject before the Commission.

18,108. I have a question to ask you on the proposal you make; but first of all, could you explain what you mean by expressing the wish that representatives of Provincial Governments should come here? Do you mean by that that witnesses from the Bombay and Madras Governments should have been invited to come over to give evidence?—On this particular subject of provincial finance.

18,109. Your criticism upon what the Commission have done is that they have restricted themselves to hearing the evidence of people who represent the Central Government?—Yes. I do not criticise what the Commission have done. I only say that it would have been well if the Central Government in India had asked the Provincial Governments to send representatives to give evidence.

18,110. I quite understand. You say that, if the suggestion which you have explained to us were carried out, it would remove all irritation at present felt by the Provincial Governments; but do you not think that there would be a certain feeling of irritation in the Provincial Governments if you not only doubled their income—which you would do if you increased it from 17½ millions to 35—but immediately afterwards took part of that away from them to give to the Imperial Government?—I do not think so.

18,111. Do you not think that there would be a little irritation?—No, there would be no irritation. They would know, of course, that they have to provide for the Imperial Government, as at present, but the great advantage of that scheme would be that 50 per cent. would definitely belong to the Provincial Governments and 50 per cent. would be all that would be taken away.

18,112. You give the analogy of Germany. Have you never heard that in Germany there is a very great deal of irritation felt over what I think they call the *matricular* contribution; the tendency of the Empire is to increase that *matricular* contribution, and—I am only speaking of what I have read—that increase does not tend to make the relations between the subordinate governments and the Supreme Government more pleasant?—It is very much to be wished that exactly the same state of things should reproduce itself in the Government of India so far as the relations of the Provincial and Supreme Governments are concerned. There would then be some guarantee that there would be some check on the tendencies of the Imperial Government; at present it has things all its own way.

18,113. I do not see where the check on the Imperial Government would be, if the Imperial Government at the end of the time said "We have spent so much, hand it over"?—No, it would not be that; the contract would be there. If at the end of the year they were able to show that some dire necessity had arisen, they would come first of all to the Secretary of State; that is what I have provided. The Provincial Governments would then put forward their views, and the Secretary of State's sanction would be necessary, and the whole matter would ultimately come before Parliament. That is all that can be done at present; I wish more could be done, but it does not seem feasible.

18,114. We will say at the present moment that the expenditure of this test year is 50 millions; you take that as the existing expenditure?—Of 1884-5.

18,115. I am taking it for that year?—Yes.

18,116. And the revenue which the Imperial Government enjoyed in that year was a sum slightly less than that?—Yes.

18,117. Under the reform which you have brought before us 17½ millions of those revenues would be taken away from the Imperial Government?—Yes.

18,118. But they would be handed over to the Provincial Governments simply to get taken again?—But there would be this advantage, the departments would once for all be classed as provincial and Imperial, so that the Budgets may be separate, everything may be separate, and there need not be this complication which is inevitable at present. The present theory is a very defective theory; all the revenues belong to the Government of India; they are only nominally received by the Provincial Governments in trust for the Government of India, and then the Imperial Governments hands over to the Provincial Government so much. Under my scheme there would be a complete division of resources.

18,119. Now we will confine ourselves to the advantage of distinctness of account. We will say that, instead of the Provincial Government levying taxes on behalf of the Imperial Government, they would levy these taxes on their own behalf; but, as soon as they had done that, they would immediately have to give over in this particular year this very large sum to the Imperial Government. It seems to me to leave matters very much where they were before, and up to this point you have provided no check upon the Imperial Government. From what you have told us I think you see your way to providing a check; I think you told us that, as far as the growing revenue was concerned, not more than 50 per cent. was to be taken by the Imperial Government; is that the safeguard upon which you rely against extravagance on the part of the Imperial Government?—One of the safeguards.

18,120. What were the others?—The other is that, if the Government of India wanted more, then it must draw up a declaration to come before the Secretary of State, and the declaration must go before Parliament. Of course necessities must be provided for, but there would be this, that they would not care to submit themselves to all this, unless the occasion were really an urgent one.

18,121. But, in the meantime, the expenditure is going on, and the Imperial Government finds it necessary to incur expenditure; how would it incur it, when one-third of its revenue was taken away?—But there are large balances which the Government of India has; surely extraordinary expenditure might be met out of them, and it has powers of borrowing also.

18,122. We are told that these balances are only carefully adjusted to the present necessities, and, if you made further demands upon it, the Government would have to have bigger balances. When an extraordinary occasion arises, they must draw on their balances?—As a matter of fact, there are no stringent limits about their balances; sometimes they drop down to 12 crores, sometimes they amount to 23, and so on.

18,123. It has been put before us by the responsible officers that the balances, as they at present stand, are not, on the average and in the main, excessive for the present needs?—Yes.

18,124. But, if the Imperial Government, carrying on its expenditure, cannot draw upon the Provincial Governments until the Provincial Governments have made an appeal home, and the Secretary of State has heard both sides and sanctioned the transfer of the sum, it appears to me that the Central Government must have very largely increased balances out of which to provide in the meantime?—But how much does it take at at a time from the Provincial Governments? Not much, after all, whenever it demands these contributions; it took, for instance, at one time less than a million, and at another time less than a million.

18,125. But, in this case, your proposal takes away at once one-third of the revenue of the Imperial Government?—Yes.

18,126. (*Mr. Courtney.*) That is only, as I understand it, when the arrangement is first made; after you have made your arrangement for allocation of revenues, and your distribution of accruing revenue and surplus, the whole machinery would be automatic?—Yes.

18,127. And that is your best guarantee; there would be an automatic revenue received by the provincial administration, and an automatic share given to the Central Government?—Yes, that is what I mean.

18,128. And so, if after three or four years a crisis arose in which the Central Government was pinched, it would have to make a solemn declaration of the special circumstances of its situation, which should be forwarded to the Secretary of State, who would then sanction an indent upon the provincial revenues?—Yes, exactly; my case has been very fairly put; that is exactly what I mean. The only thing that I would add to that is, that, whenever the Government of India resumes an additional portion of the surplus of the Provincial Governments, the portion does not come at once; it is only a small dribble at the

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beginning, but it secures that portion to itself permanently. So it is not of much immediate importance in the case of a real emergency, which wants a large expenditure at once. If the emergency was not a pressing one, but if the Government of India wished to increase its expenditure permanently, there would be time for them to go to the Secretary of State and get his sanction.

18,129. (*Sir James Peile.*) A deficit in the Imperial Budget would always be an emergency such as you would look to?—No, I do not think so.

18,130. Why?—They may meet a deficit out of their own resources, out of the balances for the first year; they do not keep the balances at a specified level; there have been many years where they have reduced the balances, and the next year, when they have better revenues, they make them up.

18,131. (*Mr. Courtney.*) Your hope would be that, with this chasm lying before them, they would always pull up in time?—Yes, that is what I mean.

18,132. (*Sir James Peile.*) But, if they did not meet a deficit out of the balances, they would have to meet it by extra taxation, would they not?—Yes, they have that power also of extra taxation, and I would not touch their power in that respect.

18,133. (*Chairman.*) But you are only going to allow the Imperial Government, under any circumstances, 50 per cent. of the increase of the proceeds of taxation?—Yes, 50 per cent. of the provincial revenues, in addition to the whole 100 per cent. of its own revenues.

18,134. The whole of its own, yes; but only 50 per cent. of the increase of the provincial, and therefore, to that extent you increase the powers of the Provincial Governments to spend?—Yes.

18,135. That being the case, it is very probable, is it not, that the Imperial Government would find itself short?—I do not think so. In the year taken by Sir Charles Elliott it required 50 per cent. of the provincial revenues to make up its budget; last year also in the Supreme Legislative Council this same point was pressed by a non-official member, and on that occasion he divided the Budget in the same manner as this. Last year the Budget was, say, 96 millions; out of that 48 were Imperial and 48 provincial, according to this scheme. Well, out of that 48 the Provincial Governments spent 24, and contributed 24 to the Imperial Treasury, so that the scheme would automatically work like that. The Imperial Budget would be the Imperial receipts, *plus* contribution from the Provincial Governments; the provincial Budget would be so much revenue, *minus* so much contribution to the Imperial Government.

18,136. What you want really to do is, is it not, to secure to the Provincial Governments of India what you think is a fairly sufficient revenue with which the Imperial Government could not meddle?—That is my object.

18,137. And, in order to get that end, you would not mind leaving the Imperial Government to the necessity of imposing extra taxation, which otherwise might be avoided?—Well, they avoid it at present by starving the most useful things; I do not approve of that; they starve education, and all that.

18,138. But it is necessary that we should understand whether you do not shrink from extra taxation in order to secure to the Provincial Governments that revenue?—I do not shrink from that, because I know that the Government would not care for that unpopularity, and that the taxable resources are nearly exhausted now in India.

18,139. Now we come to the progress of expenditure, and, perhaps, you would give us your views upon that subject?—Yes. Our expenditure shows a large and continuous growth since the transfer of the Government of India from the Company to the Crown, and recent changes in the frontier policy have accelerated its pace in an alarming manner. Excluding railway receipts, the average expenditure for the five years preceding the Mutiny was about 30 crores. It now stands at over 73 crores, nearly 2½ times what it was before the Mutiny. Increase of expenditure, taken by itself as a feature of national finance, is not necessarily open to any serious objection. Everything depends in this matter on the nature of the purposes for which the increase has been incurred, and the results produced by such outlay of public money. In the United Kingdom, in France, in Italy—in fact, almost everywhere in Europe—there have been large increases in national expenditure during the last 30 years; but the increase in Indian expenditure during this time differs from the increases elsewhere in a most fundamental respect. While increased expenditure in other countries under proper popular control, has, so far as we are able to judge, helped to bring increased strength and security to the nations and increased enlightenment and prosperity to the people, our continually growing expenditure has, in our opinion, under autocratic management, defective constitutional control, and the inherent defects of alien domination, only helped to bring about a constantly increasing exploitation of our resources, retarded our material progress, weakened our natural defences, and burdened us with undefined and indefinite financial liabilities.

18,140. May I stop you there for a moment and ask you what you mean by "increasing exploitation of our "resources has retarded our material progress"?—Yes. What I mean thereby is this: The resources of our Empire are really vast; but the great difficulty in India is about capital, and we are unable at present to take advantage of these resources ourselves, but our hope is that in course of time we might be better able to spend money in that direction, and then we should be able to utilise our resources for ourselves. At present, owing to the vigorous manner in which railways are constructed, and the way in which foreign capitalists are encouraged to invest their money in India, the result is that we get only the wages of labour, while all the profits that are made there are taken out of the country and our resources are being utilised by others.

18,141. Then you would prefer to have gone without the railways all this time? Your idea of improving the material prosperity of India would have been to have adopted none of these improvements such as railroads, which most people think tend to develop a country?—Well, I am not quite so sweeping in my assertion. I do not mean that the railways themselves are to be condemned—all the railways—but the manner in which the Government are going in for more and more railways, starving more useful things, is an objection; and this has resulted in the exploitation of our resources by the indigo, tea, coffee, and other planters. The policy of free trade has, moreover, been forced upon us too early, thereby destroying all our important industries that existed before, and throwing all the people on the precarious resource of agriculture.

18,142. Do you consider it a great drawback in the development of Indian resources that a great tea trade has been established, which has gone very far to put India in the place that China formerly occupied as supplying England with tea?—So far that would be an advantage, but the profits go to Europeans; and if we were able to accumulate capital the——

18,143. But, if this capital had not come from this country, this new industry would not have been developed?—That is so.

18,144. It is quite open, at the present moment, to Indians to use their large resources, if they are large resources, in cultivating this tea; but apparently they do not do it?—We have very little capital to invest in these industries.

18,145. And, therefore, no improvement would take place and at the present day you would be cultivating as you were 50 or 100 years ago, because you have not got capital. In such a case is it not an advantage to a country to be able to borrow capital, and borrow it cheaply, in another country, in order to help the development of its resources?—But, if I had a vast property myself, I would rather allow that property to remain as it is, with the consciousness that I may make full use of it when I have the means, rather than allow somebody else to come and use it and give me only a pittance, the outsider getting all the rest; it is *my* property.

18,146. I only want to understand your view. You would have had no railways; you would not have had very good roads, I think; and none of these trades would have been developed. Do you think that that would have been for the benefit of India?—I did not say that there should have been no railroads at all; but my complaint is about the manner——

18,147. I think you say in one part of the paper which you have given me, that you think that at the present moment railroads ought only to be executed out of surplus revenue; that is to say, that India should make her own railroads?—Yes.

18,148. It is another form of saying it?—Yes.

18,149. And that principle you would have applied from Lord Dalhousie's time forward?—No, I should not have done that. I think we must be up to the times after all; and the main trunk lines would have been constructed.

18,150. Therefore, it is only a question of difference of degree; the main policy was right, and the main policy

was a benefit to India, inasmuch as it introduced these improvements which have been adopted by every other country under the sun; and, on the whole, you would not have liked India to have been left entirely without a share in these improvements? Your difference of opinion with the Indian Government is that they had been pushed too far?—That is one; and I look at the motive power which sets in motion the whole machinery. No Viceroy goes out to India, but a body of merchants waits upon him in England and says, "You must do something for railroads," and so on; there is a feeling in India that these railroads are mainly undertaken in the interests of the English commercial classes. We have got the main trunk lines; we would rather go without the others.

18,151. What I understand is, that the foreign English capital should have made the main trunk lines, and nothing more should have been done, unless out of surplus revenue. I think you have rather minimised the surplus revenue; that amounted to very little, in your opinion, did it not; at the present moment the surplus revenue is not very much?—Yes.

18,152. And, therefore, you would be practically putting an end to all railroad expenditure at the present moment?—They might make economies and have a larger margin; if they are really anxious for these railways, they might make economies and have a larger margin, and devote that margin to railways if they please.

18,153. (*Sir William Wedderburn.*) They need not have expeditions to Chitral?—They might very well dispense with those; that is what we think.

18,154. (*Chairman.*) This, of course, is a perfectly fair argument to put forward; but it is always accompanied by the argument on the other side that competent people thought these things necessary?—That is so; but in the House of Commons the members who criticise are not military experts themselves, and yet they do not feel themselves debarred from criticising.

18,155. Will you tell us how the making of railroads has retarded your material progress, because you say "that "the increasing exploitation of our resources has retarded "our material progress"?—Well, this free trade policy that has been thrust on the country has killed all our industries. No colony has accepted this policy. The result is that our people are growing poorer and poorer, because they are all thrust back on agriculture. Sir James Caird, in his report, says that there are so many idlers now connected with land; I believe half the number would do the agricultural work; and the other half are kept on land because they have nothing else to do; and the result is so much labour is practically idle there; and the old industries that we had are swept away under the competition of steam and machinery; so that has retarded our progress.

18,156. Then the opening of fresh trades must have the opposite effect, must it not?—But that is very little; we get only wages there, and everything else goes out.

18,157. Quite so; but you speak of the people not having anything else to do except being on the land, the consequence being that too large a population, as I understand, are being employed on the land. Any new trade opened must find larger employment for the people, and, therefore, be beneficial?—Your Lordship should take both parts of my scheme, namely, protection coupled with that. Then, of course, our other industries also would remain; and the result of it would be that our unemployed would find work there. After all, it is the ideas that mould these activities; and our contact with the West has given us the necessary ideas.

18,158-60. I want to keep to the question I was putting to you, namely, there are too many people on the land; the opening of fresh trades, and thereby finding fresh employment, must tend to relieve that glut, must it not?—That is true, so far as it goes.

18,161. And, therefore, when you get within 50 years an enormous new trade like the making of railways—I think I am right in calling it enormous—there is a tendency in that direction, is there not?—Economically I must admit that it has a tendency in that direction; but I do not approve——

18,162. I am only taking that as an instance; and any development of Indian resources, that gives employment to labour, has a tendency to relieve this glut, has it not?—Yes; but those men were already employed before; not these exactly, but those who represented them in the old days.

18,163. But you have just told us that there are too many on the land now?—Yes, because our industries have been killed by free trade.

18,164. And when other industries are opened up, those new industries tend, so far as employment is concerned, to redress the balance?—That is true; but you should never have forced free trade upon us and killed our old industries.

18,165. Then your remedy is protection?—Yes. India needs protection very badly; that is my view.

18,166. Then it comes to that, that your remedy is protection?—Well, yes; though the evil has already been done.

18,167. Is the feeling that protection is necessary universal throughout India?—So far as I know that is the general feeling. We are like the colonies in that respect.

18,168. (*Mr. Naoroji.*) What is the reason they were not able to take up these industries, such as tea or any of these industries, or any of these enterprises which the foreigners came and took possession of; is it not because our capital is carried away from the country?—Yes, that is so.

18,169. Is not that at the root of the whole thing?—Yes; it is at the root of the whole thing.

18,169*a*. If that were not so, and we were able to preserve what we produce, we should be able to welcome the foreigners to do what they liked, and we should be able to compete on equal grounds with them?—Yes, exactly.

18,170. Otherwise we are reduced to mere labourers hewers of wood and drawers of water; whereas now, of the profits of all these new improvements and trades and manufactures introduced into the country nothing remains; those profits are all taken away by somebody else?—Yes.

18,171. Because we ourselves cannot devote our money or our capital to the subject; is not that so?—That is so; I would give one illustration which would make my meaning clear. It is like a house in which there is only one person, and that is a paralytic, and there are a number of good things in the house. The person himself can take no advantage of those good things; but other people come in, throw a pittance to him and take away all those things; it is almost like that.

18,172. (*Chairman.*) Take them away! But they buy them?—Well, they say they buy them.

18,173. There is a price given for them?—But only a very inadequate price.

18,174. Take the case of a railroad; that costs money to make, does it not?—Yes, it does.

18,175. That money has been supplied from here?—Yes.

18,176. Is not that buying? Is not that a case of buying a portion of the receipts of the railroad back again? If England sends over 500,000*l.* worth of rails which are laid down, for the moment that costs India nothing. England buys a certain share of the proceeds of this industrial undertaking by providing these rails; is not that an exchange between the two countries? That is not taking the things out of the Indian's house without paying for them?—I do not say without paying; you throw a pittance to us in the shape of wages; the profits are all taken clean out.

18,177. Is it not the case that the whole work has been done, or the great part of it has been done, by goods which Englishmen have bought and sent over?—Yes.

18,178. Plant?—Yes.

18,179. And in all fairness has not the return been a perfectly fair bargain between the two countries?—But they are our resources; why should English capital alone find its investment there?

18,180. But there is nothing to prevent your resources being employed, only you say you have not got them?—The natural resources are our own, the land is our own, everything is our own.

18,181. At all events you could subscribe to these railroads and find the capital for them, but you do not?—We have no capital.

18,182. As far as I understand, the English Government would be only too glad if you would pour out your accumulated wealth to buy these railroads, but you will not?—There is not much accumulated wealth.

18,183. (*Mr. Naoroji.*) Is it not the case that we cannot buy them because our capital is taken away by somebody else?—Yes, what would otherwise be our capital.

18,184. We have not the capital to pour out, otherwise we would be only too willing to devote it, and leave the foreigners also to come in with their capital?—Yes;

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if what the nation might have saved in normal circumstances had remained in the country, we might have been much better able to take advantage of those resources.

18,185. (*Chairman.*) I think we had better pass on?—Compelled to meet the demands of a forward Imperial frontier policy and the exigencies of consequent Imperial defence, and constantly borrowing for commercial enterprises, often undertaken in consequence of the pressure of English commercial classes, our Indian Government has little money to spare, with all its increase of taxation, for purposes of national education. Nor has it been able, amidst constant embarrassments of the military budget, to forego some prospective land revenue by granting the boon of a permanent settlement to provinces ripe, and more than ripe, for the concession under the conditions laid down in Sir Charles Wood's and Sir Stafford Northcote's despatches (1862 and 1867), nor again has it found itself during all these years in a position to carry out pressing administrative reforms like the reforms of the police, and the separation of judicial and executive functions. It is this feature that marks the difference between the growing expenditure of British India and that of other countries, and constitutes our national grievance in respect of the administration of our national expenditure. Whereas the capacity of the country to bear increased burdens is growing perceptibly less, our expenditure, under the existing conditions of administration, is rising higher and higher, necessitating a heavy incidence of taxation, exhausting all our fiscal reserves, and, what is still more alarming, thrusting on our hands expanding responsibilities.

18,186. Are you prepared to prove that the capacity of the country to bear increased burdens is growing perceptibly less?—I think so. These famines—this present famine, for instance, and the suffering that it is causing—are good evidence on the point. The people now go down at the first touch of famine.

18,187. But when you say that the capacity of the country to bear increased burdens is growing perceptibly less, I think, on the whole, the evidence placed before us has shown that, apart from increase of taxation, revenue has grown. You say that it is perceptibly growing less; but, on the contrary, it is perceptibly growing better?—My view is that the people are growing less prosperous; we perceive it. Men who think with me perceive that the people are growing less and less prosperous.

18,188. The outward and visible sign is the capacity to pay the same amount, or a larger amount, of revenue where there has been no difference of taxation. If the produce of taxation increases, is certainly is not a perceptible sign of incapacity of the country to bear increasing burdens?—There is another thing also—increased burdens. I mentioned, and the Government themselves have admitted it in several places, that it is not possible to impose increased taxation on the Indian people. That is one thing; and, secondly, your Lordship might look at the income-tax returns, for instance. For all practical purposes the income is steady, and there is the normal growth of population. Still we feel that the capacity of the country is growing relatively less.

18,189. Will you go on?—Under the Company's Government things were, on the whole, managed with economy, and increase of taxation was, as far as possible, avoided, which is a characteristic feature of our pre-Mutiny finance. The conquest of the country completed, the Company's Government entered, in 1852–53, upon a career of administrative improvement and internal progress, and did much in both directions without increase of public burdens. And during the next five years the fiscal system was reformed, the police was reorganised, the judicial and other establishments were revised with largely extended employment of natives in some of the higher branches, and great activity was shown in regard to public works. Over two crores a year were spent on canals and roads and buildings, and arrangements were made with railway companies for the construction of the main trunk lines of railway communication; and yet the expenditure was under 30 crores. Then came the Mutiny; it was a serious national disaster. It added 47 crores to our National Debt; and our permanent annual expenditure increased at one bound by about 9 crores, the civil charges going up from 11·7 crores to 15·8 crores, the Army from 12·7 crores to 14·9 crores, and interest from 2·9 to 5·5. The cloud of distrust, suspicion, and prejudice, then raised, still hangs over the country, and casts its blighting shadow more or less over the whole of our Indian finance. In respect of military expenditure—so, too, in regard to the extended employment of natives in the higher branches of the civil and military services of the Crown—the effects of the Mutiny are still broadly visible. I beg to be allowed to put in two statements here which I think will help the Commission to comprehend at a glance the progressive nature of our expenditure. The first statement gives figures of total expenditure *minus* railway receipts, figures of the exchange charge, and, lastly, figures of total expenditure *minus* railway receipts and exchange for the last 40 years. The second statement divides the period from 1862 to 1895 into three periods—the first from 1862–1870, that of centralised finance; the second from 1871–1881, that of partially decentralised finance; and the third from 1882–1895, that of decentralised finance.*

18,190. I understand these figures to include the revenue so decentralised, do they not? It is the total revenue in each case?—Yes, the total; and the statement gives the salient facts connected with our expenditure during all these years. Both these statements have been prepared from the annual financial statements.

18,191. The table which you put in is a very interesting one; but of course it is impossible for you to give us these long columns of figures, and I would ask you to look down and give us two or three figures out of it, in support of what you are saying?—Yes. Well, what I meant was that, if these statements are put in as appendices to my evidence (they have been prepared with great care), they will illustrate this point: I say that the periodical averages, without exchange, have been as follows:—1852–3 to 1856–7, 30·3 crores; that was the first level. Then during the four years, which were very disturbed, after the Mutiny, there was an increase of 16 crores, 46·1; that was the average. That level was practically maintained during the next 10 years. From 1862–3 to 1870–1 it was 46·9; from 1871–2 to 1881–2—that was a disturbed period of war and famine—it went up to 53·9. From 1882–3 to 1894–5, which has been a period of expeditions and increase of military expenditure, and so on, the increase, without exchange, has gone up, on an average, from 53·9 to 58·8. With exchange, the figures are much worse; they are 30·8; 46·1; 46·9; 55·8; 65·4.

18,192. Now you follow that with six statements?—Two make up each division; there are three divisions, three periods into which I have divided the whole from 1860 to the present. In 1860 our finances were placed on their new basis by Mr. Wilson.

18,193. Is this the table, that you call "post-Mutiny period"?—Post-Mutiny period, Division 1, from 1862 to 1870–1. I would ask the indulgence of the Commission only for two or three minutes while I point out the most salient points. I would not weary them by reading all these; but I would point out——

18,194. Would you point out the object you are aiming at; then, if the tables are put in, we can see in detail how you work it out?—I have tried to point out, first, what have been the elements of uncertainty during each period, and how those elements have gone on increasing until at last they have got to quite a large number now. Then I give a list of the fiscal reserves during each period, and I proceed to show that these are now nearly exhausted. The Government has been drawing not merely upon the old reserves, but upon several other reserves.

18,195. Perhaps you would give us what you call the elements of uncertainty?—During the centralised period, the elements of uncertainty were War Office demands, about which the Government of India itself has said it did not know what might be thrust upon it; then demands for public works under the pressure of the commercial classes; then, the opium revenue having become uncertain, the fluctuations in the opium revenue; and the railway finance. These were the elements of uncertainty during the first period. The fiscal reserves were balances, taxation, and curtailment of optional expenditure, that is, public works. Now, if your Lordship will turn to the second division, there the elements of uncertainty and the fiscal reserves are mentioned of that period; War Office demands; famine and protective action; public works; commercial demands; opium; and railway finance; they remained as they were. Exchange is added now as another element of uncertainty.

18,196. Which table are you on now?—It is the post-Mutiny period, 1871–2 to 1881–2, Division 2. Two more elements of uncertainty have been added, in the shape of exchange and exigencies of Imperial policy in Central Asia. The taking of Khiva brought on a change of policy. The fiscal reserves were balances, taxation, curtailment of public works, optional expenditure, and famine grant. That came under the fiscal reserves. Then during the third period, the elements of uncertainty during the period—five of those were the old ones; then exchange, and Imperial policy in Asia, conquests and frontier

* *See* Appendices No. 77 and No. 78.

protectorates; these are the expeditions and other things. They are an additional element of uncertainty. The fiscal reserves were balances, taxation, curtailment of public works, optional expenditure, famine grant, contributions from Provincial Governments, periodical revision of provincial contracts, transfer of public works from revenue to capital, as has been done in the case of strategic railways, and so on.

18,197. Then these six tables are really an analysis of the different causes which have affected Indian finance during the time?—Yes; they are an analysis of the financial statements and the appropriation reports of the Government of India for the last 30 years and more; they are intended only to give a clear idea of how our finance is getting more and more embarrassed, showing how the clouds are gathering thicker and thicker.

18,198–9. Now, is there any conclusion, which you would like to put before us, that you have yourself drawn from these tables?—Yes, the conclusion is just this, that the position is becoming worse and worse, and might become hopeless, if not looked after in time. Here are the noteworthy features that I have given. On the left-hand side of each sheet I give the facts, and on the right-hand side I give the remarks; and in these remarks my opinions are expressed, and if your Lordship will allow me I will read those remarks—they are nearly the same as I have already explained: (1) Large administrative improvements were required after the Mutiny ; (2) Provincial administrations made increasing demands for varied local improvements, not being themselves responsible for funds; (3) Public opinion in England urged measures for material progress (deemed neglected by the East India Company); (4) The commercial interests of England demanded improvements of communications and other public works; (5) The recurrence of famines emphasized the obligation of the State as to protective works; (*a*) Private enterprise encouraged in all ways; (*b*) State agency since 1867 employed to co-operate (100 crores in all spent on public works); (6) War Office measures in respect of the British Army imposed a net charge of 450,000*l.* due to amalgamation and unequal partnership; total expenditure rose from 42·9—49·3; expanding demands for expenditure, (1) General administrative improvement; (2) Public works, productive, ordinary, protective; (3) Provincial needs; (4) War Office demands, (2) and (4) beyond the control of Government of India; necessity for limitation of expanding demands; in respect of (3) provincial decentralization carried out, 1870–71. I have brought in here the salient points of the financial system and its working during the first period. During the second period (1) it was an abnormal period of war and famine; (2) English public opinion continued to urge measures of material progress, yet public works expenditure had to be reduced, which fell from 100 crores to 70 crores during the period; (3) The famines and the vast expenditure required led to the formation of a famine insurance fund, yet the fund was diverted to war; (4) Fresh War Office charges amounting to 48 lakhs due to amalgamation came upon the Indian Budget for increase of military efficiency; (5) What disturbed Indian finance most was a change of policy on North-Western frontier. Imperial policy in Central Asia entered upon a new phase with Russia's conquest of Khiva. Afghanistan was given up as a neutral zone, and the Amir was promised material and moral aid against unprovoked foreign aggression, a change of policy which converted Afghanistan virtually into a British frontier protectorate. The line of the Indus was given up as the border line of British India. Indian finance was loaded with cost of schemes of Imperial territorial expansion in Central Asia; and a preponderance came to be given to military considerations in our financial arrangements, and Indian interests were subordinated to the exigencies of Imperial policy; (6) Exchange difficulty increased. Total expenditure increased by 9·7 crores. Expanding demands, (1) General administrative improvement; (2) Public works, pressure of English commercial interests; (3) War Office demands (amalgamation); (4) Treasury Office demands, Central Asian Imperial policy; (5) Exchange, (2), (3), (4), and (5) all beyond the control of Government of India. In respect of (1) further decentralization. In the third period (1) the period was a disturbed period of war, panic, and military precautionary measures and territorial annexations, costing us about 70 crores during it; (2) English public opinion pressing for material progress, the commercial interests demanding railway extensions, the local services clamouring for increased pay and pensions, and exchange compensation, the strain on Indian finance was severe; (3) Developments of Imperial policy in Asia involving us in large trans-frontier and other liabilities; Upper Burma and other frontier provinces thrust on our hands for administrative development, which means vast future outlay. India now in touch with the great Powers of Asia is necessarily pledged to vast military expenditure. Indian defences weakened. Indian finance at the mercy of military considerations. Indian armies increased; (4) Exchange difficulty enormously increased concurrently with a fall in opium. Grant of exchange compensation allowance. Total expenditure increased by 14·44 crores as against 9·7 and 6·4 of the previous periods. Expanding demands, (1) Public works; (2) War Office demands; (3) Demands of Central Asian policy; (4) Exchange, all beyond the control of the Government of India. Taxation having reached its utmost limits, the enormous growth of expenditure during the period leaves us no fiscal reserve; yet elements of uncertainty and instability of Indian finance have largely grown, and the Government of India is compelled, in the interests of financial solvency, to be able to meet fluctuating and expanding uncontrollable demands to keep tight its hold on every fiscal resource, limiting the means of the provincial administrations on the one side and reserving its freedom of action in regard to famine grants, productive public works expenditure, and provincial contributions.

18,200–1. We have already dealt with the question of Imperial and provincial net expenditure; perhaps, therefore, we may pass on now to military expenditure?—Yes. Military expenditure. No student or critic of Indian finance will fail to be struck by the position which military charges occupy in the administration of Indian expenditure. It is indeed difficult to enter into a thorough examination of this branch of our expenditure without raising a discussion about certain matters of policy which have been held to be outside the terms of this Commission's reference. My friends, Mr. Morgan Browne and Mr. Wacha, have, however, already placed the views of the Indian people on some aspects of this subject before the Commission, and I have no wish to go over the same ground again. I will therefore content myself with a statement of certain additional facts connected with our military expenditure, leaving the Commission to draw its own conclusions from them.

The strength of the Army in 1894–5 was:—

Standing army		219,778
British troops	73,119	
Miscellaneous British officers	921	
Native troops, including British officers	145,738	
Native Army Reserve		13,862
Volunteers		29,089
Total of armed strength on mobilisation		252,729

A strength even smaller than Japan commands and about equal to that of Greece.

Its cost in 1894–5 was:—

	Rx. millions.
Ordinary expenditure	20·0
Military works (ordinary)	1·1
Total (ordinary)	21·1
Special expenditure during the year	·6
Exchange	3·6
	25·4

Ratio of ordinary military expenditure to total expenditure, excluding railway receipts, for the year $\frac{25·4}{73·2}$ = nearly 35 per cent., thus comparing with what we have in other countries.

	Millions £	
United Kingdom	$\frac{17·8}{91·3}$	= 19 per cent.
France	$\frac{25·9}{138·0}$	= 19 „
Italy	$\frac{9·4}{72·4}$	= 13 „
Japan	$\frac{2·6}{16·2}$	= 16 „
Greece	$\frac{·58}{4·2}$	= 13 „
British India	$\frac{25·4}{73·2}$	= 35 „
or omitting exchange	$\frac{21}{73}$	= 30 „
Russia	$\frac{23·9}{115}$	= 21 „

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The growth of our military expenditure, excluding all exceptional items, exchange, and even military works, has been as below:—

Years.	Average Strength.			Average Expenditure in Millions Rx.
	British.	Native.	Total.	
1837–8 to 1856–7 (20 years).	43,826	222,915	266,741	10·85
1861–2 to 1873–4 (13 years).	62,458	123,881	186,340	15·68
1874–5 to 1880–81 (7 years).	61,884	122,556	184,441	16·17
1881–2 to 1884–5 (4 years).	57,975	119,939	177,714	16·55
1885–6 to 1894–5 (10 years).	70,704	140,682	211,387	18·25
1894–5 - -	74,040	145,738	219,778	20·1

Taking, according to Mr. Kellner's estimate, seven native soldiers as financially equal to three European soldiers, we may summarise the periodical expenditures on our Army thus:—

Period.	Total Strength European Standard.	Total Cost in Millions Rx.	Charge per Combatant in Rupees.
1837–8 to 1856–7 -	139,383	10·85	778
1561–2 to 1873–4 -	115,550	15·68	1,357
1874–5 to 1880–1 -	114,408	16·17	1,413
1881–2 to 1884–5 -	109,291	16·55	1,515
1885–6 to 1894–5 -	130,996	18·25	1,393
1894–5 - -	140,400	20·1	1,430

18,202. What Mr. Kellner is that? is that the gentleman who was for a long time in the Indian service?—Yes; he gave evidence before the Fawcett Committee.

18,203. (*Sir Donald Stewart.*) Where did you get those figures, because they do not sound to me to be quite accurate, or nearly accurate, about the strength?—From various sources—"Army Commission's Report," "Army List," "Statistical Abstract"—in fact, it has been a matter of very great labour.

18,204. (*Chairman.*) How did Sir George Kellner arrive at his equation between the seven native soldiers and the three Europeans?—From his knowledge of the Indian Army; that is all I can say. I am unable to go into that question, because I do not know the details; but his opinion has often been quoted.

18,205. (*Sir Donald Stewart.*) Do you depend upon this statement that the Army has been increased in the year 1894–5 by 4,000 men?—It is not like that; it is over the average during the 10 years—the average was 70,000 for 10 years. The increase that was contemplated in 1885 was not carried out at once.

18,206. In 1894–5 you say it was increased to 74,000?—But in 1893 also it was nearly 74,000.

18,207. Is it the average over a series of years?—It is the average for the 10 previous years.

18,208. (*Chairman.*) But what Sir Donald Stewart means is that you have given 1894–5 alone?—That is shown separately, because that is the present strength.

18,209. (*Sir Donald Stewart.*) Is that the present strength?—Yes.

18,210. Then I think it is wrong?—I am open to correction; but, if only a copy of the latest Statistical Abstract is given me, I will point out.

18,211. I think about 71,000 is what it ought to be?—I think for 1894–5 I have taken the figures from the Statistical Abstract. During the 20 years preceding the Mutiny, a most eventful period of war and conquest, we had under the Company's rule an armed force about as strong as now, but maintained at nearly half the cost, the charge per combatant being Rs. 775. The Mutiny came, and the transfer of India to the Crown followed; Army amalgamation was carried out, a Staff Corps formed, and other changes in Army organisation effected, and our military expenditure rose at a bound to 14·89 crores from 10·85, the average of the pre-Mutiny period. It has gone on ever since steadily increasing till we come to the present year, when it stands at full 20 crores, exclusive of exchange, the strength being about the same as before the Mutiny. Now, I make a few observations—(*a*) Looking to the composition of the Army we have 74,000 British troops to 145,738 native troops, or almost exactly in the proportion of 1 to 2. During the 20 years preceding the Mutiny, the proportion of British to Native troops was 1 to 5, and sometimes much lower. The outbreak of 1857 followed; a Royal Commission inquired into the matter in 1859, and in its report submitted the following recommendation to Her Majesty:—"As regards the third "question, the proportion which European should bear "to Native corps in cavalry, infantry, and artillery, "respectively, your Majesty's Commissioners are of "opinion that the amount of Native force should not, "under present circumstances, bear a greater proportion "to the European, in cavalry and infantry, than 2 to 1 "for Bengal, and 3 to 1 for Madras and Bombay respec-"tively." The proportions thus laid down were recommended in view of the circumstances of the disturbed period, and were not absolute, precluding all future modification as things should change. The present organisation, however, practically rests on that recommendation, the proportion being, as a whole, as 2 to 1, the differential proportion recommended for Bombay and Madras being ignored. Taking the recommendations of the Royal Commission and looking to the local distribution of the armies, we have—

——	Native Troops.	British Troops.	Excess of British Troops over the accepted Standard.
Bengal ($\frac{1}{2}$) - -	84,614	46,379	4,072
Madras ($\frac{1}{3}$) -	32,306	14,195	7,266
Bombay ($\frac{1}{3}$)	28,878	13,466	
			11,338

This is the amount of excess British force over the accepted standard which we have in the country, and I submit that there is nothing in the present condition of things to justify such a large departure from the recommendations of the Commission; things admittedly have changed for the better, and with our increasing appreciation of British rule, and growing attachment to Her Majesty's throne, we should have expected the proportions to be modified the other way. As it is, we have on our hands an excess force of more than 11,000 British troops, and, taking the cost per European combatant at Rs. 1,430 a year, this excess force burdens our military budget with a needless 1½ crores for more exactly Rx. 1,573,900). 1½ crores a year is rather too heavy a charge for a poor country to bear unnecessarily.

18,212. (*Chairman.*) You observe that the report of the Commission, from which you quote, is very nearly 40 years old?—Yes.

18,213. Many things happen in 40 years, do they not?—Yes; but the first proposals were made by that Commission; and the Government have always taken their stand on the recommendations of the Commission.

18,214. (*Sir James Peile.*) Do you know that Lord Ripon said that his Government had most carefully and thoroughly considered the question, and had come to the conclusion that one European soldier to two natives is the right proportion?—That is true: but this was a Royal Commission that investigated the subject.

18,215. Lord Ripon's investigation was a great many years after the Commission?—I know, but it was an investigation by the Government of India itself; this was by a Royal Commission.

18,216. You could not trust Lord Ripon to take care of the interests of India?—I should not like to say that; that is a very difficult question to answer in that way.

18,217. (*Chairman.*) Would you not lay any stress upon the inquiry made by the Government of India itself?—I attach more importance to a Royal Commission's inquiry.

18,218. (*Sir Donald Stewart.*) That was the result of the inquiry of a commission of Indian officials?—Yes, the Army Commission of 1879; in fact the Secretary of State and the Government of India have all along been assuming in their despatches that the proportion should be one to

two; but the original recommendation on which the whole thing was based is what I have given, and I only wanted to bring it out; that is all.

18,219. (*Chairman.*) Will you go on?—The strength of our existing army is further in excess of the military needs of the country, as laid down by the Army Commission of 1879 by the recent increase of 30,000 troops. That Commission even contemplated, among other things, in framing their estimate of our requirements, "the contingency of operations beyond the frontier, not merely "against Russia, with Afghanistan, as our ally, but against "Russia assisted by Afghanistan," and as Mr. Ilbert and Sir A. Colvin in their dissent point out, no circumstances have arisen which necessitated these augmentations.

But again, the existing organization of our army is so faulty that it imposes a needlessly grievous burden on the Indian Exchequer. Our army is always practically on a war footing; we have no peace establishment proper; and the strength we could mobilize in an emergency is—including volunteers and reserves—not more than 252,719 men all told. And it is for such meagre armed strength that we have to spend under the present vicious system 25 crores and more a year. While most countries in Europe have adopted short service and the system of reserves, a system which gives them a maximum of combatant strength at a minimum of cost, India alone has to keep up her armies on a war footing even in time of peace and has to pay a heavy penalty, getting no commensurate return for the money she spends. In these days the armed strength of a nation is measured, as stated by Lord Wolseley, not by the number of men under arms in its standing army, but by the total number of trained soldiers it could put together for active service when needed, service with the colours being but a course of training for the recruits much more than active preparedness for war, and in an emergency the reserves being relied upon as the first line of national defence. While the United Kingdom spends about 18 millions on her army, and has a total armed strength of 588,785 men; France spends about 26 millions, and has an active army of 572,102 with reserves numbering 1,778,000, or a total of 2,350,000; Germany spends 27 millions, and maintains an active army of 562,014, and can mobilize in time of war with her splendid reserves a total force of 3,000,000; even Japan, an oriental country which has so successfully copied the European system, spends 2½ millions on her armies, keeping up a standing force of 37,719, and is able to mobilize a force of 269,748; British India, though she spends even more than the United Kingdom itself on her armies (25 crores), has but a standing force of 219,778, and with the reserves and volunteers, of 252,729 to show, a strength even smaller than that of Japan, and scarcely one-tenth of Germany.

England adopted short service in 1871–2, but did not extend the benefit to the Native Army. How wasteful our existing system is, may be more clearly seen when we find that we have had to add three crores to our military budget to increase our armed force by 30,000 troops.

Taking the two component parts of the Indian Army:—

(a.) *British Troops.*

(1.) Here we pay for short service, but the advantage of the system goes all to England. The peculiar merit of the system is that it gives a large reserve. Our English reserve is in England, and is not always available to us. Hence the British troops in India are all placed on a war footing.

In respect of the recent increase, the argument strongly urged was that we could not always depend on England for reinforcements, possibly least when we should need them most. Though the Indian revenues contribute so largely to the maintenance of the army reserve in England, we could not count upon getting the British troops augmented in India when we should have to take the field on a large scale. Meanwhile we have to bear the disadvantage of heavier transport charges, due to short service.

(2.) We have yet the peculiar disadvantage of short service, a paucity of seasoned soldiers in the standing force. Lord Wolseley has told us that men of under 2 or 2½ years' service are seldom sent on active service, and whenever mobilization takes place for field service in European countries, it is the reserves that are largely drawn upon. As we have no reserve in India, we pay for a force which is not all available for field duty.

(b.) *The Native Army.*

Our Native Army, though theoretically a long-service army, is practically in the main a short-service one. Under the regulations a man can claim his discharge after three years' service, and it is calculated that as many as 80,000 trained native soldiers return to their homes in 10 years, time. The Army Commission of 1879 proposed the formation of reserves in order to retain a portion of these 80,000 men bound to the obligations of service, and also in the hope that the reserves so formed in time of peace might "enable the Government to reduce the peace strength "of the Native Army," and expressed their view that such a restricted reserve system could cause no political danger to the country. The proposed reserves were calculated to absorb 58,200 men out of the 80,000 retiring from the army every 10 years.

The formation of such reserves to the Native Army was decided on in 1885–6, and Lord Dufferin's Government proposed, when Sir Donald Stewart was Commander-in-Chief, to begin with two kinds of reserves, regimental and territorial, of which the latter system was evidently the more suitable of the two, and could have succeeded better. But the Secretary of State vetoed the proposal as far as it related to the formation of territorial reserves, apprehensive of political and military dangers of such a step, and sanctioned only regimental reserves. Accordingly, we have now the feeble and straggling reserve that there is, numbering about 14,000.

Of course, as far as it goes, it is a step in the right direction, however halting, and a strong effort ought to be made to organise on a sound basis a large effective reserve to the Native Army, so as to permit of reduction in its strength, which, while increasing the total armed strength of the country would bring material relief to the finances of the country. The wasteful costliness of the existing system is obvious.

We next come to the *Officering* of the Native Army.

Before the Mutiny, there were two classes of Native regiments, "regular and irregular." In the regular regiments the nominal staff of British officers was 25 strong, of whom about 12 were actually present, the rest employed in civil and other departments. In the irregular regiments, there were only three British officers, the rest of the staff being entirely Native. When the armies were reconstructed after the Mutiny in 1861, the irregular system was adopted throughout the Native Army, first in Bengal and later in Madras and Bombay, with the change that the number of British officers per regiment was increased from three to seven. In 1874–5, the strength of English officers was increased by the addition of two probationers to each corps. In 1882–3, one more officer was added to the cadre; so that we have now eight British officers in each regiment, ousting the Native officers virtually from the entire field of higher regimental command. Before the Mutiny, and in the irregular regiments, the British officers commanded wings and squadrons, leaving the command of the troops and companies on the field to Native officers. Since the transfer and reconstruction of the armies, the field of employment for Native officers has steadily contracted, and they have not now even the command of troops and companies, and hold a lower status in the army. In their place a costly European agency has been put in, thereby imposing a great burden on the finances. My impression is that under Russia the native races in Central Asia have far more honourable military careers open to them, and the comparison must fill all friends of British rule in India with regret. The late General Chesney, who generally was not with us on Indian questions, has protested against this state of things in most eloquent terms, and I beg to be allowed to read a brief extract from his "Indian Polity":—

"In the cavalry the position of the Native officer has even gone back, for whereas formerly he could rise to the command of a squadron, the squadrons are now commanded by British officers, the most junior of whom takes precedence over the oldest Native officer. So far then as the Army is concerned, the Queen's Proclamation on assuming the direct government of India is a dead letter. This proclamation declares that 'Our subjects, of whatever 'race or creed, shall be freely and impartially admitted 'to office in Our service, the duties of which they may 'be qualified by their education, ability, and integrity, 'duly to discharge.' To a very large number of a most important class of Indian gentlemen, descended in many cases from ancestors who held high military office under former rulers, the only palatable, and, indeed, the only form of public service practical and possible for them is the military, and that is closed to them. While this is the case, it cannot be said that the promise held out in the proclamation is fully acted upon. It may be replied, indeed, that the class in question is excluded from service by the condition of fitness laid down, by reason, that is, of their defective education. And certainly, in regard to a service the routine business of which is conducted in the English language, this contention may be held to be good,

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if the proclamation is read in a literal sense, without regard to the spirit which animates it. Some very gallant and distinguished Native officers, among them hereditary chiefs who have brought their clansmen by the hundred to join our standards, men who closely resemble in many respects the chiefs of the Highland clans 150 years ago, have been unable to read or write in any language; yet men labouring under the same deficiency have carved out kingdoms for themselves. A man of this sort, a thorough gentleman in manner and feeling, if illiterate, with all the pride and bearing of birth and high family tradition, leading his own kinsmen like the Highland chief of old, will by his own chivalrous example show his men the way to victory, and that after all is what has to be aimed at in choosing officers" (pp. 268–269).

* * * * *

"It may be, indeed has been, said that the change of policy here advocated would be dangerous; that men of rank and influence raised to high military position might take advantage of the position; that the Mutiny might have had a very different ending if there had been men of rank and ability in the army to take advantage of the opportunity. Plain speaking is here the best. Nothing will be concealed by silence, for this defect in our military system is so prominent as to be the subject of constant comment. The studious exclusion of Indians from all but the humblest places in our army is so conspicuous, that only one inference can be placed upon it, that we are afraid to trust them, and the danger from one point of view may be freely admitted. The Indian people are not held to us by any feelings of attachment. When in almost every country of Europe men are found plotting against their fellow countrymen, with the experience of Ireland before us, it would be absurd to expect that loyalty in India should take a higher form than expediency, the recognition that our rule is the best available at present, and that it is too firmly established to be attacked without risk. But apart from any question of justice or good faith, it is surely safer as a matter of policy to have men of talent and ambition with you, their interests enlisted in our system as offering possibilities of high advancement, than that their only chance of escape from a life of obscurity and inaction should be felt to lie in subversion of our rule and the anarchy attendant on such a revolution. There can be little room for doubt on which side the choice should be taken, for much time has already been lost before entering on the course indicated by policy as well as good faith. Meanwhile contrasts, not to our advantage, are publicly made between the Russian system, its ready assimilation of the races brought under its influence, the utilisation of ability which might otherwise be dangerous, and our hard and fast representative system. And when the step forward is taken in the right direction, it will be satisfactory to consider that while the Army necessarily contains the elements of danger inherent in every body formed under such conditions, it has been rendered of late years a much safer as well as a more efficient weapon. No one class has been disproportionately increased in strength, while for the indiscriminate infusion of class and caste, the separate class and caste system has been largely substituted. For precaution, the Army must be held to its duty by liberal terms and strict discipline, a still more effectual precaution would be that indicated by considerations of justice and policy, that the military classes, equally with all other classes, should feel that to them a career suitable to their tastes and aspirations is open, bounded only by their capacity to take advantage of it, that service under the Queen may offer more than can be hoped for by any other way (pp. 270–271)."

18,220. On what occasion did he say that?—This is a work on Indian Polity, and that quotation is from chapter 16.

18,221. (*Sir Donald Stewart.*) Which edition is that?—1894.

Even in the lower positions the number of Native officers has sensibly fallen off during the past 20 years. In 1876–7 the number of these officers was 2,812, in 1895–6 it is 2,759—a decrease of 53 officers, though the strength of the Army has risen during the period from 120,672 to 141,257 (*i.e.*, 20,000). On the other hand the number of British officers shows an increase of 149 officers (from 1,431 to 1,580).

Lastly we come to a feature of the existing army organisation, the most wasteful of all.

The Indian Staff Corps is a corps of officers intended for the Native Army as well as for civil employ in the political, police, survey, and other departments, and in the frontier and non-regulation provinces.

When the amalgamation was carried out in 1861, there was a complete change in the system of officering the Native Army. The old supply from the British regiments was stopped, and a staff corps was established in each presidency for the purpose. All officers of the Army except those who declined were transferred to the new corps. The promotion in the new corps was entirely by length of service, not by succession to a vacancy, so that lieutenants became captains, and captains, majors, and so on, though the promotions were not needed for the work of the army. The system is still in force, which is as under:—

Ensigns on transfer to the corps to become lieutenants.
Lieutenants after 11 years' service to be captains.
After 20 years' service to be majors.
And after 26 years' service to be lieutenant-colonels.

Further privileges were in 1866 conceded to the staff corps. Previous to that year a certain number of lieutenant-colonels succeeded on vacancies occurring to colonel's allowances. These carried with them an extra pension of 664*l.* a year. In 1866 the Secretary of State allowed all officers then in the staff corps and all who might join, to succeed to colonel's allowances after 12 years' service in the grade of lieutenant-colonel, without reference to any fixed establishment of colonels with colonel's allowances. Thus every officer could in future rely on getting colonel's allowances if he lived and clung to the service till he had served 38 years. The general result of this extraordinary system of promotions and pensions has been that the upper ranks of the service are filled with officers for whom there is no work.

The colonel's allowances previous to 1866 were granted only to a certain number on ground of special merit, at the rate of one to 30 officers. Since then it has been indiscriminately allowed to all, and we have now 501 officers in receipt of colonels' allowances on a staff corps of 2,826 strong, *i.e.*, more than one in six officers.

The grant of such allowances is now placed under new conditions, but the heavy burden on the Exchequer due to the measures of the past, taken in the interest of the officers, grows heavier every year. The old system of promotion is still in force; regulated not in accordance with the needs of the services but in the interests of the officers, as if the army was for the officers and not the officers for the army.

The whole question regarding the constitution, terms of service, rates of pay and pension in regard to this costly and privileged corps requires to be carefully examined. As it is the whole system rests on an unsound basis, the corps is over numerous and drawing privileged rates of pay and pension, inflicting a heavy burden on the national exchequer.

18,222. (*Sir Donald Stewart.*) I presume that you are aware that this system, which you condemn and which probably most people condemn, is coming to an end?—It is coming to an end, but the burdens are still there.

18,223. (*Chairman.*) I think that brings us to the services?—Yes.

18,224. I think we will begin to-morrow with those?—Yes; the remaining portion will not take us long, I think.

The witness withdrew.

(Adjourned till to-morrow at 11 a.m.)

At the India Office, S.W.

FORTY-FOURTH DAY.

Tuesday, 13th April, 1897.

PRESENT:

THE LORD WELBY, G.C.B. (CHAIRMAN, PRESIDING).

Sir WILLIAM WEDDERBURN, Bart., M.P.
Field-Marshal Sir DONALD STEWART, Bart., G.C.B., G.C.S.I.
Sir JAMES PEILE, K.C.S.I.
Mr. G. L. RYDER, C.B.
Mr. DADABHAI NAOROJI.

Mr. COLIN G. CAMPBELL, *Secretary*.

Mr. GOPAL KRISHNA GOKHALE recalled and further examined.

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18,225. (*Sir James Peile.*) I gather that you hold the doctrine held by Mr. Naoroji and Mr. Wacha of the increasing poverty of India?—I do.

18,226. Now your indictment of the Government depends entirely on the truth of that doctrine?—The truth of what?

18,227. Of that doctrine that India is falling into deeper poverty?—I have not gone into that question in detail, because that does not come within the terms of the reference. Only in one place have I incidentally referred to it.

18,228. Still, if you give it as a state of India which justifies an indictment of the Government, you ought to be prepared to support the doctrine by proof. In fact, you did so, because, I think, you were asked on what you rested that opinion, and you said the condition of the people in famine. Would you please repeat what you said about what happens to the people in famine?—I said that, at the first touch of famine the people suffered in large numbers, and that was a sign that the people were not in a position to bear burdens that were put upon them.

18,229. By "the people" do you mean the whole people or the agricultural people?—Well, in regard to famine, those who suffer from famine—the large bulk of the population. Petty traders and artizans also come under the same category, but agriculturalists mainly, of course.

18,230. Have you studied the course of prices of agricultural produce in India within the present century?—I have given some attention to that, but I cannot say that I have studied the question.

18,230*a*. You know, of course, that in the first 20 years of the century there was the wildest disorder prevalent in India. Large tracts were laid waste by fire and sword, villages burnt and people outraged and murdered?—Yes.

18,231. After that, order was introduced, and up to about 1850, the prices of agricultural produce fell; do you agree?—I have read such descriptions.

18,232. Of course, the reasons of that are very obvious. The cultivation extended very rapidly in conditions of peace; produce was very largely grown; there were no railways, so that it could not be carried about easily, and, of course, the value of it fell so that it scarcely fetched any price at all. After about 1850, during the administration of Lord Dalhousie, came the time of the introduction of railways. From between 1850 and 1860 onwards they were very rapidly constructed; the result of that has been that the values of agricultural produce have risen enormously, is it not so?—In some places they have risen; the tendency has been towards greater equalisation, I think.

18,233–5. No, not merely that. I think I can show you that it is not so. We have periodical revisions of the land revenue assessment, in which the data are the price of produce at the time of the previous settlement before 1850, and the prices at the revision. It is very frequently found that the prices of agricultural produce have risen 100 per cent., or even more, in the markets of the small country towns; and, if you take the settlements of that period, the old settlement before 1850 and the new settlement after, that is invariably the case. Of course, if the settlement to which you are looking back, took place after the railways were introduced, it is probable that there has not been, at any rate, a great rise in prices between that first settlement and the second. Well, the value of the produce exported from, or moved in, the country after the introduction of railways increased enormously. We have also data of the importation of precious metals. I took from the "Statist" a table drawn up by the Bank of Bengal, which gave for 33 years up to March 1892 the amount of bullion imported and kept by India. It was 230½ millions sterling in silver and 126 millions of gold; 356½ millions in the aggregate, or an annual average of 10¾ millions. Now I will show presently where part of that went to; you accept those facts, I think?—I accept the figures from you.

18,236. Are not these facts that I have mentioned signs of decreasing, rather than of increasing, poverty?—I do not think so.

18,237. You do not; can you tell us why?—It all depends on what classes all these things go to. In addition to what you have mentioned you must also be able to show that these increased imports of precious metals found their way into the pockets of the agriculturists—into the pockets of these poorer people.

(*Sir James Peile.*) I will try to show it presently in a question I will put to you.

18,238. (*Chairman.*) May I ask a question on that. The fact of these large amounts pouring into India shows that India as a whole was not decreasing in wealth?—I do not think that they are very large sums after all, when you remember what a large country India is. Besides, I should like to know how much of that went to keep up the currency of the country; how much was absorbed by Native States, and how much remained in British India. The whole question will have to be gone into carefully, and mere total figures will not assist us much.

18,239. That is not my question. My question is a very simple one. In regard to these figures I speak of India as a whole. Do you admit that India as a whole was increasing in wealth?—I should not admit that; these precious metals do not come in for nothing; a large quantity of the produce of the country goes out as a sort of exchange. I do not think that mere imports of precious metals can be accepted as an addition, economically speaking, to the wealth of the country.

18,240. But you must suppose that the produce that is sold, that passes out as surplus produce and is sold—it is quite a voluntary matter to sell—would be sold at a profit?—Well, as a matter of fact, our exports are greater than our imports, owing to these home charges.

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The fact that such large quantities of precious metals come into the country, shows that the imports in other shapes are fewer than they would otherwise be. I do not think that is any very conclusive evidence of the growing prosperity or poverty, either way; it is simply an economical fact.

18,241. But a great quantity of the precious metals coming into a country and stopping there, shows that there is at all events a power of hoarding or accumulating, if it does not go out?—I do not quite see that.

18,242. Perhaps you hesitate to accept proofs of prosperity?—I am quite open to correction, but I do not quite see clearly how the mere fact of the imports of gold and silver being so and so can mean that the country is increasing in prosperity. This is a fallacy of the mercantile system long regarded as exploded.

18,243. If I find at the end of the year in my banker's account a couple of hundred pounds more than at the beginning, am I a poorer man?—I do not say that; but if your income in one year was a couple of hundred pounds, and so many commodities, and in the next year you get fewer commodities and a hundred pounds more, that does not necessarily mean that your lordship is richer. It all depends on what the total amount comes to.

18,244. (*Sir James Peile.*) Well, now, we will go on to your argument, based on famine. Your argument is that the people of India cannot stand up for one year against famine, because they have no resources to fall back upon?—Not exactly that.

18,245. Will you state it then, please?—I will take the famine of 20 years back. You were one of the Commissioners who gave particular attention to that, so of course I speak to you on the matter with considerable diffidence, but the opinion I have formed after reading the Famine Commissioners' report is this. So far as our Bombay Presidency is concerned, there were two successive failures of rain, one in 1876 and then in 1877. During the first year the distress was not so very great, but during the second year the distress was most intense. On the other hand this year there has been a famine; the failure of rains, however, was not so great as it was 20 years ago, and yet the extent over which famine now prevails is much larger than the extent over which it prevailed then.

18,246. Surely you are wrong in one point, that the failure of the rain was over a smaller area this year than it was in 1876-7?—I am not talking of other parts of the country; I am talking of the Bombay Presidency at present. Taking the figures on the relief works for Sholapore, for instance, I find the number has now increased to over 100,000—that is about 125,000. Now this figure was never reached even in the worst days of 1877. The highest total was, I believe, about 98,000 then.

18,247. Supposing the conditions of work and the pay of the work in this famine are a good deal more liberal than they were in 1876-7?—I do not think it is more liberal than what it was in 1877, *i.e.*, in the second year of the famine—no doubt, in the first year it was very bad, but in the second year things had admittedly improved.

18,248. I have not got the exact figures about it, but I am told that is the case?—That is the official view, but our complaint is that the famine relief workers get very insufficient wages at present.

18,249. I think it would be a very difficult thing to establish a proposition of that kind, that the people are poorer now and call more largely for relief; that is a somewhat hasty conclusion, I think. Let us return to the general considerations of famine?—I have got some figures to prove my point.

18,250. You say that the people generally have no resources, and that they cannot tide over even one year?—Yes.

18,251. Now, is that condition of things peculiar to the English Government?—But after 50 or 60, or 100 years of settled government, surely things ought to have improved for the better.

18,252. I think they have; but one sees it very often said that the famines are entirely the fault of the British Government?—I never said so.

18,253. You have heard of the famine of 1770, before the British Government had anything to do with Bengal——?—But I never said that British government brought famines into the country. I do not say——

18,254. In which one-third of the population died without any measures being taken to assist them?—I do not know anything about that.

18,255. (*Mr. Naoroji.*) Was there not British possession of Bengal before 1770?—Yes; the Company governed under the nominal suzerainty of the Emperor.

18,256. (*Sir James Peile.*) We had not direct responsibility for the executive Government?—I think in 1770 you had; it was only two years before the regulating Act.

18,257. But, if you look into the form of the government, you will find that the native executive was still responsible?—If you will excuse me just a minute I will find it, because General Chesney gives it, and I have his book here. In 1770 you were the rulers practically. The nominal ruler was the Emperor; virtually all government was in your hands—the revenue and everything.

18,258. The question is whether the British then would be responsible for famine relief?—I cannot go into that question, because I have never asserted that the British were responsible for famines.

18,259. I do not wish to go into the question. The point is that India was subject to famines in those days as severe or more severe than they are now?—With this difference that the data about those famines are very insufficient, and this is admitted in the Famine Commissioners' report.

18,260. Now, taking the number of persons in relief at the present time, do you know what the total amount is—the highest figure?—Yesterday I read in the "Times of India," I believe, that it comes up to about 400,000 or more at present.

18,261. I think it is hardly so large; it got up to three millions?—That was because the reaping was going on in some parts, and some had found employment elsewhere. The last figure was 430,000 or so.

18,262. Four millions you mean?—Yes, four millions; I beg pardon.

18,263. I do not think it is so many. It got up a little above three millions, and then it fell?—I made a remark to Mr. Naoroji yesterday that the number had gone up by about 30 per cent. since my leaving India.

18,264. Now, we will take your figure of four millions?—Yes.

18,265. Do you know the population of the provinces in which these relief works are undertaken?—I cannot say offhand.

18,266. The Government of India has given the area in which the famine is very bad, and the area in which it is not quite so bad?—Yes.

18,267. I think the one was 40 millions of people, and the other 37 millions, I take it, in round numbers?—Yes.

18,268. Call it 80 millions?—Yes.

18,269. That is 4 millions in 80 millions?—I beg pardon, four millions absolutely destitute, but many, many more in fact who suffer quietly at home, too proud to go to the relief works.

18,270. You say they have no resources?—They have no resources; if they starve, that is no resource.

18,271. That is an assumption which I do not admit?—I speak from personal experience of the famine in Sholapore. I was there about a fortnight only recently before coming here; I found, as a matter of fact, that there was very great distress.

18,272. I have no doubt "distress" most assuredly; still the people manage to live through it?—Well, if you will excuse my saying so, the Famine Commissioners themselves have said that, when 10 per cent.—10 per cent. or 12 per cent. is the figure they give—of the people are on the relief works, then the distress must be described as extremely acute. Now the population of Sholapore district is about 800,000—if I am correct, 700,000 to 800,000. Well, one-tenth of that would be about 70,000. If, therefore, 70,000 were on famine relief, the distress would be extremely acute, and it would be a severe famine. The number of men on relief works at present is about 120,000, somewhere about that, and, therefore, according to that statement in the Famine Commissioners' report, the distress there is very much more acute now than the standard laid down.

18,273. I was not at all arguing whether the distress was acute or not?—You seemed to say that 4 millions out of 80 millions did not indicate much distress.

18,274. What I was arguing was, that if 4 millions out of 80 millions come and ask for relief, and say they are starving if they do not get support from the Government, that shows that a considerable majority of the population are not driven to that extremity, and are able to support themselves through famine?—I do not think so. Much depends on the social status of the sufferers. There are people of the higher classes who would die rather than go to relief works; in fact, the Famine Commissioners themselves admit so.

18,275. What proportion are the highest classes? Are they not a very small percentage?—Not the highest classes, but the upper section of the lower classes. Moreover, the women do not go to relief works above a certain class. They suffer at home; they cannot go out and work; and there are various other things to be borne in mind. It is really difficult for me to go fully into the question offhand.

18,276. You are making all sorts of statements which I do not dispute; but, take the general result that out of 80 millions four millions come and seek for relief, would you not infer from that that a very large proportion of the people have resources which enable them to tide over famine?—I do not think so.

18,277. You do not think so?—According to your own standard, 10 per cent. represents severe distress; out of 80 millions, what would 10 per cent. be? I do not quite see how the whole thing would work.

18,278. Well, 4 millions to 80 is how much? It would be 5 per cent.?—But it must be remembered that this is the first year of the famine; besides, the total 80 millions includes also areas where the distress is not acute—where the distress is only mild, and all that.

(*Sir James Peile.*) Let us proceed, because I merely wish to go into very general considerations, and not into particulars.

18,279. (*Chairman.*) May I ask here, have you any returns of the mortality caused by this famine?—It is for Government to give those returns; the Government have not yet published them.

18,280. (*Sir James Peile.*) They cannot yet, of course?—Sir William Wedderburn has been asking for them in the House of Commons for some time.

18,281. You can hardly get them yet?—I do not think it is so very difficult.

(*Chairman.*) Are there any returns showing what the mortality of the famine districts is, and whether it is very much in excess of the ordinary rates?

18,282 (*Sir James Peile.*) It varies very much. In some it is in excess, and in others it is not in excess?—I remember a statement drawn up by Mr. Goodridge who was recently Judicial Commissioner of the Central Provinces; and in it he gives the mortality for several districts in the Central Provinces, and the increase in several places is three or four times the normal rate.

18,283. You mean lately, this last year, in this famine?—In this famine.

18,284. During the early part of it?—Yes, during this famine.

18,285. Well, now, what class of persons suffer first?—In case of famine?

18,286. Yes?—I can speak from personal knowledge of my Presidency only. They are the small agriculturalists who hold direct under Government; they are the persons.

18,287. Who first feel it?—Of course, simultaneously with others; the day labourers——

18,288. Do not the weavers feel it first generally?—The weavers also; they are in the first ranks.

18,289. Do the farm labourers come next?—Well, they also go with them.

18,290. Before the agriculturalist?—By agriculturalist I mean those small agriculturalists who are also labourers, not the landlords in whose name——

18,291. You mean the ryots, the peasant occupiers?—Yes, for the most part. A great many of them work on the soil themselves in Bombay.

18,292. Farm labourers, then?—Yes.

18,293. Weavers, and then farm labourers. Well, if you take farm labourers and mill hands in England, supposing that a great calamity fell upon England, and the food supplies were suddenly stopped, do you think that farm labourers and weavers and mill hands, and so on, would have resources which would enable them to live over the period of high prices which would result?—That is a very hypothetical case, because such a calamity never seems to come to England.

18,294. (*Chairman.*) The actual case did happen in the cotton famine of 1860?—I think that was a very extraordinary occasion, and your people assisted them, I believe, very well here.

18,295. But I want to point out that that has happened?—Only once in a way; that is, not so often as we have in India.

18,296. The question was whether such a thing had happened?—And it was, besides, a very small class, merely the operatives in mills, I believe, in Lancashire.

18,297. We do not think that the operatives in Lancashire are a very small class?—I do not say so. But the agriculturalists in India are about 80 per cent. of the population; the operatives in mills here are not such a large class.

18,298. (*Sir James Peile.*) There is another question I want to ask; is it a fact that the people have shown that they have no resources? Are you aware what happened in the last famine, when silver ornaments of enormous value were sent down by people up country to the mint to be coined owing to pressure of famine in order to obtain the means of support?—But that itself shows the extreme acuteness of the distress. Every woman in India, for instance, feels that she must have a certain minimum of small silver ornaments; well, owing to the customs of the people, that is almost as necessary as the breath of life; you cannot construe that into the wealth of the people.

18,299. My question was whether in time of famine they do not use that accumulation of ornaments to sell or dispose of, and so obtain food?—As a last resource they do.

18,300. Is it not, then, a resource?—It is a resource, but it is a very cruel resource to use.

18,301. I find that the last total is 2,800,000 on relief works?—Is that so? I beg your pardon. But your figure, I think, does not include all the children who are receiving relief.

18,302. I will just wind up what I was saying. Then, to sum up, it seems to me that you must greatly modify this statement that the bulk of the people have no resources?—I do not see how.

18,303. In respect of having all those ornaments sent down to be coined?—That does not prove that the ornaments are increasing; nothing has been said about that.

18,304. My question was whether the people have any resources?—The question is a relative one, whether the resources are increasing or decreasing.

18,305. I have shown two points; an enormous portion of the agricultural population do not go on relief at all; and, secondly, they possess a considerable fund in the shape of ornaments, which they coin when the famine attacks them. I say, having those two points in view, must you not greatly modify the statement that the bulk of the people have no resources and fall down at once?—They have comparatively no resources; that is what I mean; I do not see any reason to qualify it.

18,306. Very well, that will do; and also I have shown that there are very important facts which point rather to a decrease than to an increase of poverty?—I should like to know them.

18,307. I gave them to you before?—They have not convinced me, at all events.

18,308. We traced the rise of agricultural prices?—But that means that everything has gone up, including the cost of agricultural produce; then, the agriculturalist has had to purchase certain other things for himself; and these too have gone up in price.

18,309. Let us take that for a moment; the agriculturalist grows his own seed?—Yes.

18,310. He also grows his own food?—Very little remains for himself.

18,311. There you are begging the question. What remains he sells; and he gets the increased prices?—That is only the theory of the subject.

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18,312. That is not the theory; that is the positive fact in every house in the country. I think it is useless to prolong this discussion?—It is not a fact.

18,313. (*Sir William Wedderburn.*) Is it not the case that the ryot is so much in the hands of the money-lender, that is to say, the trader, that he has to give him his produce at the price that the trader chooses to give him for it?—That is what I meant to explain just now, but I was asked not to go on.

18,314. And your general proof of the increasing poverty of the people is that, whereas in the late famine the people were able to stand up against the first failure and only suffered very materially in the second failure, in the present famine they have shown no power to stand up against the first failure?—That is what I mean.

(*Sir James Peile.*) I must ask for a little evidence of that.

18,315. (*Sir William Wedderburn.*) And that on the first failure on this occasion there are more people seeking relief than there were on the second failure in the first famine?—Yes.

18,316. That is your argument?—Speaking for the Sholapore district, of which I have experience.

18,317. And you deduce from that that the people are in a rather worse condition than they were before?—Yes.

18,318. And that the fact of their dying from hunger is evidence that they have no resources to fall back upon?—Yes.

18,319. (*Sir James Peile.*) But is there any proof whatever that they have come more largely on to works?—I gave you the figures for Sholapore.

18,320. And I gave you the official figures. Will you now read them?—I cannot go into the whole question, but I know about one district, the Sholapore district.

18,321. I do not think this is anything to the point. We want the total figures for all India, which you gave us as 4,000,000 on relief works?—Well, I am open to correction as to a matter of fact.

18,322. Will you give us what it is in the official communication which I have put before you?—It is 2,800,000.

18,323. Then the whole argument falls to the ground on the figures?—It does not. I never based it on 4,000,000 or 3,000,000. I based it on our experience in the district of Sholapore. I know for a fact that there the number on relief is about 120,000, and on the last occasion, even in the second year, it was less than 100,000.

18,324. And if the famine this year is a great deal worse than on that occasion, and if the terms and conditions of the relief works are more liberal than they were on the last occasion, then you naturally get more men on the works?—I myself heard the Collector of Sholapore say that this year it was only an "eight anna" famine at Sholapore. It was not so intense as the famine of 20 years back, although the extent was greater, and there were many more people who suffered than before.

18,325. What is the comparative price of food?—I cannot give an offhand answer to that question.

18,326. That would be the leading point of the whole question, would it not?—If I had expected to be cross-examined on this point I would certainly have come prepared. But I thought this was outside the terms of the reference to the Commission.

18,327. You are making statements. Of course one must examine into them?—I beg your pardon. You make statements, and I only reply to them.

18,328. You make statements in regard to Sholapore, and I see Sir William Wedderburn has tried to give point to them by putting to you that the people are in a worse condition?—I beg pardon. I did not volunteer these statements. You said the famine was not more intense, although the extent of area affected was greater. I say it is a milder famine, but it is causing much more suffering.

18,329. I said the extent of area covered by the famine was greater than the last, and it is an undoubted fact?—Well, I see no use in pursuing this matter further.

18,330. (*Chairman.*) I will now pass on to where we left off yesterday, the services?—My Lord, I will say just one thing about the figure of 4,000,000. I gave that as only my recollection after reading a weekly paper yesterday. It may be wrong; there might be a misprint; but I did not take my stand upon this particular figure, and now that this authoritative statement is put into my hands I am ready to modify my own. Your Lordship will see that I based no argument on that 4,000,000.

18,331. I think you were going to offer some observations on the services?—Yes. In every department of Indian expenditure the question of agency is one of paramount importance. According to a Parliamentary return of May, 1892, we have in India in the higher branches of the civil and military departments, a total of 2,388 officers, drawing Rs. 10,000 a year and upwards, of whom only 60 are natives of India, and even these, with the exception of such as are judges, stop at a comparatively low level. And they are thus divided:—

	Natives.	Eurasians.	Europeans.	In Thousands of Rupees. Total Salaries of Natives.	Total Salaries of Eurasians.	Total Salaries of Europeans.
Civil Department	55	10	1,211	947	151	25,274
Military	1	1	854	12	11	13,268
Public Works	3	4	239	33	45	3,415
Incorporated Local Funds.	1	—	9	10	—	113
Total	60	15	2,313	1,002	207	42,070

In addition to these the railway companies employ 105 officers, drawing Rs. 10,000 a year and more. They are all Europeans, and their total salaries come to 16 lakhs 28 thousand rupees. If we come down to officers drawing between Rs. 5,000 and Rs. 10,000 a year, we find that we have 421 natives in the civil department, as against 1,207 Europeans and 96 Eurasians. In the military department there are 25 natives as against 1,699 Europeans and 22 Eurasians. In the Public Works Department there are 85 natives as against 549 Europeans and 39 Eurasians. And in the Incorporated Local Funds there are four natives as against 22 Europeans and three Eurasians. The total salaries of officers of this class are thus divided:—Civil Department, Natives, Rs. 2,905,000; Eurasians, 650,000; and Europeans, 8,830,000. In the Military Department, Natives, 164,000; Eurasians, 139,000; and Europeans, 13,698,000. In the Public Works Department, Natives, 537,000; Eurasians, 278,000, and Europeans, 3,962,000. And in the Incorporated Local Funds, Natives, 25,000; Eurasians, 17,000, and Europeans, 146,000. In addition to these there are, under the railway companies, 258 officers of this class, of whom only two are natives, eight being Eurasians and 248 Europeans. Their salaries are thus divided:—Natives, 12,000; Eurasians, 50,000; and Europeans, 17,10,000. In England 125,360*l.* is paid as salaries by the Indian Government, and 54,522*l.* by railway companies, all to Europeans. The financial loss entailed by this practical monopoly by Europeans of the higher branches of the services in India is not represented by salaries only. There are besides heavy pension and furlough charges, more than 3½ million sterling being paid to Europeans in England for the purpose in 1890. The excessive costliness of the foreign agency is not, however, its only evil. There is a moral evil which, if anything, is even greater. A kind of dwarfing or stunting of the Indian race is going on under the present system. We must live all the days of our life in an atmosphere of inferiority, and the tallest of us must bend in order that the exigencies of the existing system may be satisfied. The upward impulse, if I may use such an expression, which every school boy at Eton or Harrow may feel, that he may one day be a Gladstone, a Nelson, or a Wellington, and which may draw forth the best efforts of which he is capable, that is denied to us. The full height to which our manhood is capable of rising can never be reached by us under the present system. The moral elevation which every self-governing people feel cannot be felt by us. Our administrative and military talents must gradually disappear owing to sheer disuse, till at last our lot is stereotyped, as hewers of wood and drawers of water in our own country. The Indian Civil Service is nearly 1,100 strong. Under the rules of 1879, since abolished, we were entitled to one-sixth of the whole recruitment, and in course of time we should have had about 180 natives in the Indian Civil Service. The Public Service Commission, appointed by Lord Dufferin,

proposed the abolition of those rules, and recommended that 108 posts, usually held by covenanted civil servants, should be set aside for Indians. The Government of India and the Secretary of State thought this recommendation too liberal, and ultimately decided to throw open only 93 such posts to which the natives of India may be appointed, after certain existing claims were satisfied. That these higher posts are guarded with extreme jealousy as practically a close preserve, may be clearly seen from the following illustration. Mr. Jacob gives, in Appendix 16 of section II. of this Commission's Report, the total number of District and Sessions Judges in India as 126. Out of these only five are shown as natives. Now the capacity of natives for the efficient discharge of judicial duties has been over and over recognised, and the Public Service Commission expressly recommended that one-third of all District and Sessions Judgeships should be given to natives, which meant 42 out of 126. Instead of these 42, however, we have at the present day only five native District and Session Judges. So, again, in the Police, out of 230 district superintendents only three are natives. Only five natives qualified to do the work of District and Sessions Judges, and only three for the work of Police Superintendents in all India, after close on a century of British rule! The same is the case with the Forest, Acounts, Opium, Mint, Scientific, and other departments. In the Public Works Department we have a total strength of 800 engineers, of whom only 96 are natives. The Indian civil engineering colleges have been working for years, and yet not more than 96 of their trained graduates are to be found in the higher branches of the engineering service. In this connexion I may mention that the Finance Committee of 1886 recommended that the connection of the Indian Government with the Cooper's Hill College be terminated as soon as possible, and that there be a larger recruitment of students of Indian colleges. This recommendation, however, was not accepted by the Government of India. I may also be permitted to make one or two general observations here on this Public Works Department. This department has been for a long time overmanned, and Lord Dufferin's Finance Committee thought it necessary to pass some severe criticism on the point. The sanctioned strength is 760. The actual strength in 1884–85 was 898, in 1893 it was 857, and now it is about 800, which is still 40 in excess of the sanctioned strength.

18,332. (*Sir James Peile.*) In the Civil Department? You mean the Higher Department?—Above Rs. 10,000 a year.

18,333. (*Chairman.*) May I ask, was 760 the number of which Lord Dufferin's Committee approved?—Yes. It was sanctioned by the Secretary of State. Ever since the expansion of the Department in 1860, and notably from 1868 to 1875, we have had the superior staff arranged less with reference to the work to be done than to the condition of things as regards the position of officers. I may mention here briefly that these points have been expressly admitted, by Sir Theodore Hope, who was in charge of the Public Works Department for a considerable time. There has frequently been hasty and irregular recruitment during the periods of expansion, followed by blocks in promotion, requiring in their turn corrective efforts in the shape of special allowances or better pay and pensions, not founded on a consideration of the executive needs of the Department. And more than once officers have been specially induced to retire from the service on very favourable conditions as to pensions, to reduce the redundancy of officers.

18,334. That is a very intelligible criticism on the administration, but, may I ask, is not that common to all administrations? I do not know any country to which that kind of charge does not apply, namely, that in one shape or another, under pressure or owing to error on the part of the Government, charges, which part of the community think excessive, are incurred. That is not peculiar to India, is it?—I do not know much about other administrations.

18,335. (*Sir William Wedderburn.*) Might not that difficulty be met by the temporary employment of natives of India instead of taking on permanent European officials, who have claims for permanent service and pensions?—Yes, and I would also add that these special concessions are general, and invariably made in the interests of the European services only. I do not know a single instance where native services have ever clamoured for increased pay or pensions, or ever got any concessions. The Finance Committee of 1886 recommended that Royal Engineers in the Indian Army should be put on the Civil Staff, remarking that "it is necessary to "maintain a considerable establishment of Royal "Engineers in India for military requirements. . . . "Such of them as are not needed for purely military "duty in time of peace can be best employed in the "Public Works Department, and should, in our opinion, "have the first claim for employment in that Depart-"ment in preference to all others," and the Committee suggested that the Military Works Branch of the Department should be abolished as a separate branch for military works, and amalgamated with the general Department. The suggestion as to the abolition of the Military Works Branch has not been carried out, and only 70 Royal Engineers from a total of 273 are at present on the civil staff, the greater number of the remaining 200, or so, doing little or no work. It may be added that these suggestions of the Finance Committee had the full approval of the then Commander-in-Chief.

18,336. (*Chairman.*) Do you consider it advisable to do away with the Civil Engineering Staff altogether?—I only mention what the Finance Committee themselves recommended.

18,337. Do you advocate total abolition?—Well, the recruitment from Cooper's Hill College was to be stopped; they said that for the most part the recruitment should be from the Indian colleges.

18,338. You said "for the most part." Do you think the military engineers were to form the total engineering staff of the Government?—I have not quite caught the question.

18,339. Do you consider that the Finance Committee recommended that the civil staff should be entirely done away with, and that the whole of this engineering staff should be supplied by the military?—Oh, no, not at all. They said that there should be European civil engineers; but that no special places should be given to a particular college, and that every man should be recruited in the general market; also a much greater recruitment might be made in India.

18,340. Well, do they consider the point, how far you could attempt to weaken the military staff?—They themselves said they were not exactly in a position to say how much the Royal Engineers could be reduced; but they said the Royal Engineers were not doing much work, and that such a large number as 127, which was the strength then, was not required for the repairs of barracks and such small things as they had to do.

18,341–2. You say 70 Royal Engineers are employed on the civil staff at present. I want to know whether the strength of 70 Royal Engineers at all corresponds to the numbers which were in the minds of the Finance Committee, when they recommended that military engineers should be employed on the civil staff?—I do not think so. I think this is the tenor of their recommendation. They thought that by far the larger portion of the Royal Engineers should be employed on civil duty. Moreover, they proposed that the Military Works establishment was to be amalgamated with the civil. In that case, the Royal Engineers would be amalgamated with the civil staff, and they would do military work where that was necessary, and they would do other work, civil work, when they had no military work to do.

18,343. But I do not understand from this that the Committee inquired into, or formed an opinion as to, how many men were necessary for the military works? It seems to me that the first point to be ascertained, before military men are drafted away to do civil work, is to what extent you could afford to do it; and the Committee do not appear to me, from your statement, to have taken that into consideration?—They said the information at their disposal was not sufficient to justify a recommendation on that point. But then under this scheme there would have been only one General Public Works Department, and the Royal Engineers and the Civil Engineers would have all belonged to that one Department.

18,344. But I am keeping to the military engineers; I see that out of the force which you mentioned as 127 ——?—70 are on the civil staff at present.

18,345. Did you not mention 127 Royal Engineers?—That was the strength at that time, yes.

18,346. Well, at present, 70 are employed on the civil staff. It does not seem clear to me at present that the real meaning of the Committee has not been given effect

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to, if there are 70 so employed out of 127?—Out of 273 at present; the present number is 273.

18,347. That is the total force?—The total number of Royal Engineers at present is 273.

18,348. Is 273. Well, what I want to ascertain is, whether the Finance Committee, who seem to have been rather vague upon this point, would have considered 70 out of 273 as practically satisfying their objects?—I am not qualified to express an opinion on that; but the impression on my mind, after reading what they have written, is that they would not have been satisfied. They expected a much larger proportion to be employed on civil work.

18,349. But at the same time, if they did expect it, it was a shot in the brown, because they had not taken means to ascertain how many of these Royal Engineers would be required for military purposes?—It should be remembered that their view was supported by Lord Roberts at that time—by the Commander-in-Chief.

18,350. And did he name any numbers?—No, because he also proposed an amalgamation, so it was not thought necessary to mention a special number.

18,351. Well, we will now pass on to the exchange compensation allowance, upon which, I think, you wish to offer some observations?—This allowance was granted to all non-domiciled European and Eurasian employés about the middle of 1893, and the figures for the last three years have been as follows:—

Year.	Amount in Rx.
1893-94 - - -	618,468
1894-95 - - -	1,239,275
1895-96 - - -	1,327,632

I have taken these figures from the Financial Statements. The allowance consists in converting half the salary of each officer into sterling at the rate of 1*s.* 6*d.* to the rupee, subject to a maximum of 1,000*l.*, and then converting it back again into rupees at the current rate of exchange. Practically, it has amounted to a general increase of salaries. Now, in the first place, it is admitted that these employés of Government had no legal claim to the compensation. The pay of the European soldier in India is fixed in sterling, and the Government have now to make to him a much larger rupee payment than before. Nobody, however, has ever suggested that this rupee payment should be reduced. If anyone had made the suggestion, he would have been told that the soldier was legally entitled to it. The guaranteed companies are now getting 5 per cent. on their capital, though they do not earn so much, and though Government can to-day borrow at the rate of $2\frac{1}{2}$ per cent. If anyone were to say that 5 per cent. was now too high a rate to pay, and that the companies should be asked to be satisfied with less, he would be told "a contract is a contract." My point in giving these illustrations is this: if existing contracts are not to be disturbed *in favour* of the Indian Exchequer, why should they be disturbed against it? Secondly, if the European employés of Government suffered from the fall in exchange, Government itself, as representing the taxpayers, suffered much more from the same cause. When such a general misfortune has overtaken all classes of taxpayers, to single out a particular class for special relief by imposing additional burdens on the remaining classes, and these not well able to bear them, was entirely unjust. Thirdly, though it is quite true that the fall in exchange has considerably lowered the gold value of the rupee salaries, the salaries themselves were so excessively high, considering especially the great change that has taken place in the facilities and means of communication between England and India, that even with the fall in exchange they were very high. I think it will be admitted that non-official Anglo-Indian testimony on this point is very valuable. The Bombay Chamber of Commerce is recognised to be one of the foremost and most important representative bodies of the English mercantile community in India. This Chamber, in writing to the Finance Committee on the subject of reduction of expenditure in 1886, thus wrote on the subject of salaries paid to Englishmen in India:—"The question of the salaries "paid by Government to its servants is one on which "the Chamber holds very decided views. The "just apportionment of remuneration to the exact quality and quantity of work done may, from the "standpoint of individual cases, call for very nice "discrimination and intimate knowledge of the "circumstances surrounding each appointment; "but the Chamber, having many amongst its "members in a position to form a true estimate "of the standard of pay necessary, at the present "day of widespread education and keen and "increasing competition among the members of "the middle classes for responsible employment, "to ensure the attainments required from civil "servants, covenanted and uncovenanted, does not "hesitate to say that the entire scale of remuneration, "but more especially of the senior classes, is pitched "at too high a level. At the time existing rates "were settled, not only did the requisite educational "acquirements command a higher premium than they "do now, but there were other considerations calling "for monetary compensation. In former days an "Indian career practically entailed expatriation, "officials frequently lived very solitary lives, were "exposed to exceptional temptations, and exercised "great responsibility. In latter years these conditions "have been greatly mitigated, and in some cases "thoroughly reversed. Communication with England "is constant and rapid, life in India is healthier and "attended with more comfort and less expense, whilst "control is so centralized that responsibility is, in a "great measure, taken out of the hands of officials "except of the highest ranks. Under these circumstances, a revision of all salaries, but particularly "those above, say, Rs. 1,000 per month, is manifestly "justifiable and called for. In all recent discussions "on this subject the decline in sterling exchange "has been urged as a strong argument for non-"reduction; but in the view of this Chamber that is a "matter which Government should not take into "account. What it has to look to is purely the "amount it must pay under all existing conditions "and circumstances, in order to secure the necessary "qualified labour in this country, leaving individuals "themselves to provide for the wants of their families "in Europe, and their own requirements for leave. "The Chamber, in fact, would go even further than "this, and advocate that, under the new rules for "future contracts, all civil pensions and retiring "allowances should be paid in the currency of the "country. India is no longer a *terra incognita* to "the educated classes of England, and even under the "comparatively less tempting inducements indicated "above, the Chamber feels convinced that there would "be no lack of suitable men ready and anxious to "recruit the ranks of the service. This naturally "leads to the consideration of the economy practicable "by a larger employment of natives. Much might, "doubtless, be saved in this way, particularly in "connexion with the Judicial Department, where the "opening for efficient native agency seems widest; "but the Chamber is not prepared to formulate, nor "possibly your Committee to discuss, a settled scheme "for the entrance of natives into the covenanted and "uncovenanted services."

18,352. May I ask what you mean by all "classes"?—Well, the whole country, because we had to pay increased taxation, or rather we did not get the relief we might otherwise have got.

18,353. "General misfortune had overtaken all classes" would rather seem to me to mean that every class in India had suffered by the fall in exchange?—The taxpayers; I would modify it in that way.

18,354. And when you say that all classes have suffered, you mean that, in order to provide this exchange compensation allowance, money was appropriated to it which might have been applied to other better objects?—That is what I mean.

18,355. (*Sir William Wedderburn.*) All classes of taxpayers, I suppose?—I should put it like that.

18,356. (*Chairman.*) When you quote the Chamber of Commerce as an advocate that all civil pensions and retiring allowances should be paid in the currency of the country, have you turned your attention to what is done in colonies?—No, I only place before the Commission the Chamber's view.

18,357. But I presume you are supporting that view?—It commends itself to me; yes, I support it.

18,358. Do you know at all what is the rule in Ceylon?—No.

18,359. Perhaps I might mention it to you; there, I believe I am right in saying, the salaries are fixed in rupees?—I am glad to hear it.

18,360. I want to see what the Chamber of Commerce are asking in this respect?—Well, they ask for a reduction of the salaries of the civil servants.

18,361. Yes, but they say here that "all civil pen- "sions and retiring allowances should be paid in the "currency of the country"?—Yes, they go further, and say that the pensions of civil servants, which are fixed at 1,000*l.* sterling, should also be fixed and paid in the currency of the country.

18,362. That is what they mean, that this rule should be confined to the pensions paid in this country?—Yes, all pensions that are drawn in sterling should be fixed and paid in rupees; that is what they mean. I will give you an illustration: Take the uncovenanted civil servants; their pensions were fixed at Rx. 500 a year. In several cases they were 600, but 500 was the general rule. When the rupee began to go down, they agitated for a special concession. Sir Henry King espoused their cause, and in 1890 they got a special rate fixed at which rupees should be turned into sterling, namely 1*s.* 9*d.* Here were rupee pensions which were converted into sterling at a fixed rate.

18,363. That is to say, those pensions were practically fixed in sterling?—They were fixed in rupees originally but they were converted into sterling in 1890.

18,364. But from that time they were practically in sterling?—They were practically in sterling, yes.

The letter of the Bombay Chamber continues:—"All I "am instructed to lay stress upon in that direction is "that, when Government decide on the competence of "Natives to hold certain posts, due allowance should "be made in fixing their pay for the proportionate cost "of living and expenditure between them and Euro- "peans of a like grade."

Fourthly, assuming that some relief was needed, it was most unfair to give the allowance to all. I mean men who went out to India after the rupee had fallen below 1s. 4*d.*, *i.e.*, who accepted the rupee salaries with their eyes open, as also those who had no remittances to make to England—these, at any rate, ought not to have been granted the allowance. This indiscriminate nature of the grant constitutes, in my opinion, its worst and most reprehensible feature. No wonder after this that the Indians should feel that India exists for the European services and not the services for India. While the miserable pittance spent by Government on the education of the people has stood absolutely stationary for the last five years on the ground that Government has no more money to spare for it, here is a sum larger than the whole educational expenditure of Government given away to its European officials by one stroke of the pen.

The salaries of some of the officers are fixed in rupees by statute. The grant to these men seems to be illegal as long as the statute is not amended. The question, I understand, has been raised, but it has not yet been disposed of by the Secretary of State. Meanwhile the allowance continues to be paid to these officers pending such disposal.

18,365. The next branch to which I would call your attention is that of Education?—The meagreness of the Government assistance to public education in India is one of the gravest blots on the administration of Indian expenditure. No words can be too strong in condemning this neglect of what was solemnly accepted by the Court of Directors in 1854 as a sacred duty. During the last four or five years the Government grant to education has been absolutely stationary. In 1891–2 it was Rx. 889,173.

18,366. (*Sir James Peile.*) Is that net or gross?—Gross; the receipts have not been deducted, but, if they were deducted, it would be still worse. In 1894–5 it was Rx. 910,972, showing an increase of only Rx. 21,800 in four years. But even this increase was only an addition to the salaries of European officials in the department in the shape of exchange compensation allowance, as may be seen from the fact that while there was no charge for this allowance in 1891–2, in 1894–5 the compensation to educational officers was Rx. 18,800. About Rx. 30,000 is the increase in five years. Side by side with this might be noted another fact, viz., that during these same four years the Government expenditure on public education in Great Britain and Ireland increased from 5 millions to nearly 9 millions sterling—the contrast is too powerful to need any comments. One cannot help thinking that it is all the difference between the treatment of children and step-children. There are more than 537,000 towns and villages in India, with a total population of about 230 millions, and yet there are less than 100,000 public primary schools for them. The population of school-going age in India is about 35 millions, out of whom only about 4 millions (including those attending private or unaided schools) are under instruction, which means that out of every 100 children of school-going age, 88 are growing up in darkness and ignorance and consequent moral helplessness. Comment on these figures is really superfluous.

I may add that in 1888 the Government of Lord Dufferin issued a Resolution, which amounted to a virtual change of policy in the matter of education. Only four years before that Lord Ripon had issued a Resolution, addressed to all Provincial Governments, urging them to increase their expenditure on education and even offering assistance from the Imperial Exchequer, where absolutely necessary. In 1888, however, Lord Dufferin directed the Provincial Governments, in express terms, to gradually reduce the share contributed by Government to public education.

18,367. (*Chairman.*) Has the Resolution been published?—Yes, it is appended to Sir Alfred Croft's review of education from 1882 to 1886. It was published in 1888.

18,368. (*Sir James Peile.*) I do not get the figures to correspond to yours?—If I get a copy of the Statistical Abstract, I will show them.

18,369. I think you have not taken education managed by local bodies?—No, of course not; that is separate altogether.

18,370. Why?—That is local taxation; it is not contributed from provincial revenues. In the Statistical Abstract itself the figures are represented separately. The first column is from provincial revenues, the second is from local rates.

18,371. But local rates, that means one-third of the cess on land revenue?—Yes, but that is for local purposes. According to your view municipal money might also be added.

18,372. Certainly?—That is not a Government contribution. The 5 millions and 9 millions I have spoken of as expenditure in England do not include local rates.

18,373. You are merely giving what the Government itself provides out of the taxation fund?—It might be said that is local taxation, whereas this is provincial taxation.

18,374. Did you include the scholars who were taught in the local rate schools in the total that you took?—I have taken all.

18,375. (*Chairman.*) Are the 4,000,000 scholars you have mentioned out of 85,000,000 aided out of local rates as well as out of the public taxes?—And even those attending schools not aided. There are some schools in India that receive no aid from Government. Anybody who attends a school is included.

18,376. (*Sir James Peile.*) The number of educated persons has largely increased?—Well, of course they must increase in that way.

18,377. It is always increasing. It is increasing, and it began from a very low scale indeed under native rule?—That I admit. But of course the British Government should never think of comparing itself with previous Governments in such matters.

18,378. It must begin where they left off, you know?—What I complain of is this change of policy. Lord Dufferin distinctly called on Provincial Governments to reduce their educational expenditure.

18,379. On higher education?—No, on all education.

18,380. You mean that he wished to elicit the spontaneous energy of the people in promoting education. That is what he says, I presume?—He says the share of Government must be reduced, that is all he says.

18,381. On what ground?—He says the work of Government is to pioneer the way; that is how he puts it. That has been done, and now these things must be left more to the people.

18,382. Was not that what Lord Ripon said four years previously?—No, certainly not.

18,383. (*Chairman.*) You have not got that Despatch here?—I could give you the reference. There was the review of the education in India by Sir Alfred Croft, Director of Public Instruction in Bengal, after the Education Commission. It is the first quinquennial review published by Government, and there is prefixed

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to that review a resolution of the Government of India dated June 1888, passed upon it. If that volume is brought I would read it to you. I wanted to bring my copy, but it was too heavy.

18,384. While the book is being got out, perhaps we might pass on to the subject of railways?—Yes, my friend Mr. Wacha has gone into this question in great detail, and I will only add one or two observations to what he has said. In the evidence already recorded by the Commission, satisfaction is expressed in one or two places that in India the working expenses of railways form a smaller percentage of the total railway receipts than in England, and the conclusion seems to be drawn that Indian railways are constructed and worked more cheaply than English railways.

18,385. Are you putting that forth as a grievance?—No, no; I am only stating what strikes me as a conclusion not quite warranted.

18,386. The fact remains that railroads were constructed cheaply, whatever the reason?—Not cheaply as judged by the Indian standard; certainly cheaply compared with the English standard. If they used more native agency, the working expenses would be even lower. Before the Fawcett Committee the whole question was gone into. In the case of the Great Indian Peninsular the actual expenditure very largely exceeded the estimates; it nearly came to double the estimated amount. Mr. Thornton, who was Secretary in the Railway Department, I believe, has himself stated that the whole thing was done very badly and very extravagantly.

18,387. But the fact still remains that of almost all the railway systems in the world the working expenses of the Indian railways bear the smallest relation to the gross receipts; therefore that means that, as a Government speculation, it is a beneficial one?—I do not think so, my Lord, for this reason, that our wages are very low, and therefore the working expenses must be low.

18,388. Still that does not alter the fact that the undertaking is a profitable one, that is all?—I will make a few remarks on that afterwards.

18,389. I say that, if the working expenses of a railroad are 45 per cent. of the gross receipts, it shows that the undertaking is more profitable than if they are 70 per cent.?—That is true.

18,390. I do not want to go further than that, because that is quite sufficient for me?—I might, however, state that this lower percentage of working expenses is not peculiar to our railways only, but is, in fact, a necessary condition of all industrial undertakings in India. Labour with us is very cheap, while capital is very dear, so a much larger margin is necessary for profits, and a much smaller one suffices for the working expenses than is the case in England. The mere fact, therefore, that the working expenses of Indian railways form a smaller percentage of the total receipts than they do in England does not in reality prove anything. Meanwhile it may fairly be asked, if Indian railways are, on the whole, a profitable undertaking, why do English investors, with all their enterprise, almost invariably insist on a Government guarantee of interest in one form or another? There was an excuse for the first companies requiring such a guarantee. But after so many years' experience of Indian railways, and after so many protestations, both from the existing companies and from Government, that there is a great, a prosperous, future for Indian railways, it is astonishing to see that every new scheme proposes that all elements of risk and possible loss should be shifted on to the Indian taxpayer, securing an absolutely safe, clear percentage of profit for the English investor. So long as the Indian Government has to bear a net loss on railway account, no matter from what cause, so long it is futile to represent the Indian railway enterprise, whatever may be its other advantages, as a commercial success.

18,391. Then may I take it that the conclusion you draw from this is, that it is a mistake to have made any railroads at all?—I do not say that.

18,392. I do not see, if you speak of Indian railway enterprise in these very strong terms, that any other conclusion is left to you?—I explained before that, so far as the main trunk lines are concerned, the only complaint we would make is that they have been constructed in a very extravagant manner, as was given in evidence before the Fawcett Committee; but the increased activity which the Government is showing now is not required. I make a distinction between the main trunk lines and the other lines that are now being constructed.

18,393. Are you able to say that the cost of construction, as compared with railroads in other countries, is very dear?—I am not prepared to say that.

18,394. If you are not prepared to say that, is it quite fair to speak in strong terms about the extravagance?—Extravagant about what?

18,395. As I understood your words, they were that the cost of construction of the railways has been very extravagant?—Of the earliest railways. The earliest railways were constructed in a very uneconomical manner.

18,396. I did not hear you limit your criticism to the earliest railways; but, on the whole, are you prepared to say that the mileage expense of construction in India has been extravagant compared with what it has been in other countries?—Well, I have not looked at it from that point of view.

18,397. I think, from your evidence, one would gather that that was your view?—No, my view is this, that there is a net loss which the State has to bear on the railway account, and, as there is greater and greater activity, there will be even more and more.

18,397*a*. I quite understand that you would now prefer caution; you would not go so fast; but your recent evidence has been founded upon the charge of extravagance; and I want to know whether you have actually gone into the charges, and been able to satisfy yourself that the cost of the construction of railways in India is dearer than it is in other countries, and, therefore, open to the charge of extravagance?—I fear I must not have expressed myself clearly. What I meant was that the railway lines that were first constructed were constructed extravagantly; and, so far as that is concerned, I can give some evidence; but, in regard to the lines that are now being constructed, I do not think they are being constructed wastefully or extravagantly. I do not say so; but I mean that this rushing of programme after programme is burdening us with responsibilities.

18,398. Now, with regard to the earlier railway lines, have you ever heard that the earlier lines in almost every country have been constructed at a very high rate?—That may be; but in the construction of the earlier Indian railways there was a great waste in India, which was condemned as culpable by men who knew the subject—by men like Mr. Thornton, who had been connected with railways for a long time. Bridges had to be re-constructed; there was such lack of supervision, and a great deal of money was misappropriated, and things of that kind; there was a great waste in all that.

18,399. Is that a criticism of individuals, or a criticism of any responsible body?—Mr. Thornton appeared before the Fawcett Committee as a responsible representative of the Government of India; and in 1867, when the Government decided to build on its own responsibility, it drew up a long statement of the whole case; and there also it dwelt upon the wasteful character of the expenditure of the guaranteed companies owing to the want of proper check. These facts are all admitted by the Government. I have no fault to find with the present railway construction of Government on the ground of extravagance or wastefulness. What I mean is, that the revenues of the country are being burdened in an increasing proportion with these liabilities.

18,400. Of course there is another matter to be taken into consideration; namely, that a railroad, which opens up a country, confers considerable benefits upon the country, which may be fairly purchased even if the railroad is not worked at a profit and if it becomes a charge, in consequence, upon the taxpayer?—Yes; but that becomes then a question of which benefit is comparatively greater. I would prefer Government spending much more on education to its bearing this net loss on railways.

18,401. But that is a preference of your own?—Oh, yes.

18,402. In this case you dwell, in dealing with the railroads, upon the fact that the State has to pay a certain sum towards the expenses of the railroads, but you omit any allusion to the fact that the opening up of the country in itself is usually held to confer a benefit on the inhabitants, which benefit must be set against any such loss as that of which you speak?—But I have

said in my evidence that "whatever the other advantages may be," from the financial point of view I find fault with it. I say, "So long it is futile to represent the "Indian railway enterprise—whatever may be its other "advantages—as a commercial success."

18,403. You say "as a commercial success." It may be a commercial success on account of the benefit which it confers upon the country generally, even though it may cost the Government something. However, perhaps you will proceed?—I have two suggestions to offer on this subject of railways. The first is, that the time has now come when the same restrictions that now exist on the outlay of public money on unproductive public works, should be imposed in the case of these so-called productive works also; these restrictions being, that in future all Government expenditure on these works, direct or indirect, should be out of surplus revenue only, and not out of borrowed money. A new programme, costing 28 crores of rupees, has just been announced, and a private letter which I received from India by the last mail says that it has been sanctioned in spite of the protest of the Finance Member, Sir James Westland. When one remembers that the condition of Indian finance is at present most depressed, that all really important lines have been already constructed, and that many of the most pressing needs of the country, such as education, receive no attention from the Government on the ground of the poverty of its exchequer, one cannot help thinking bitterly of this reckless profusion of Government in the matter of railway construction, especially as the Indian people feel that this construction is undertaken principally in the interests of English commercial and moneyed classes, and that it assists in the further exploitation of our resources. The second suggestion is that the guaranteed railways should be taken over by Government at the first opportunity in each case, without exception. The waiver of the right to take over the Great Indian Peninsular Railway 20 years ago was very unfortunate. Apart from the loss entailed by the high guarantee, by the unfair manner of calculating the surplus profits, and by their calculation six-monthly, instead of yearly, there is another very deplorable loss which the Indian exchequer must bear in the matter of these guaranteed railways. The shares of these companies are at a high premium, and that is due, in great measure, to the Government guaranteeing a high rate of interest. The premium thus is, to a considerable extent, only artificial, and yet Government must pay it when it has to take over these railways.

18,404. That really means, does it not, that you would put a stop to railroad extension now almost entirely?—Unless funds can be supplied out of revenue.

18,405. Quite so; but the surplus having been comparatively small, it would mean, would it not, that practically no railroads would be made?—If it comes to that, I would be prepared to accept that.

18,406. (*Sir William Wedderburn.*) Looking to the very difficult position of Indian finance, you think that railways are a luxury for which the country can wait a little, though they do desire them?—That is my view; that is also Sir Auckland Colvin's view.

18,407. (*Chairman.*) Would you really impress it on the Commission that the Secretary of State and the Government of India have undertaken these railways principally in the interests of English commerce and commercial monied classes; is that a direct charge of yours?—That is the impression in India, because the facts are there. Whenever a Viceroy goes out to India there is a deputation that waits on him, and they put pressure upon him to construct these railways, and he makes a promise, more or less, that he will do his best. There is no feeling in India that there should be these railways—the Finance Member is opposed to them. The Famine Commission recommended that 20,000 miles of railways would be practically sufficient, so far as protection from famine was concerned—that total has been reached, and still there is a new programme of 28 crores.

18,408. (*Sir James Peile.*) Not for protective lines?—I have not caught the question.

18,409. The programme of 28 crores contains no protective lines?—We do not want any more of their lines; spend more on education for the present, and afterwards on railways. You are going in one direction and going in no other directions. All these railways cannot be a disadvantage—I am prepared to admit that—but it is a question as to which advantage is greater.

18,410. (*Chairman.*) And do you hold that the Viceroy is only a registrar of what the commercial classes here choose to tell him?—Not choose to tell him, but the pressure is felt by the Secretary of State owing to the peculiar position of English politics.

18,411. You do not think it possible that the Viceroy may think this policy for the advantage of India?—It is difficult to put the thing exactly that way. I rather hesitate to put the thing as strongly as that, but more or less that is the impression.

18,412–3. But you have stated that this construction is undertaken principally in the interest of the English commercial and monied classes?—That is what we feel.

18,414. And I think anybody listening to that must feel that you are yourself supporting the idea that the Viceroy was not doing this mainly in the interest of the Indian public, but principally in the interest of the monied classes here?—That is the only conclusion that we can derive from certain facts. I will mention one. In 1879 a Parliamentary Committee sat to inquire into this subject of public works. Well, after a great deal of careful inquiry they recommended that $2\frac{1}{2}$ millions a year should be the limit of borrowing for Indian public works. Of course, the Secretary of State and the Government of India between them can alter this limit; and, as a matter of fact, they have not been acting up to that limit lately. This new programme of 28 crores, which is to be finished in a short time, also shows that they are setting aside this limit; so the impression that we have is that it is all undertaken more in the interests of the commercial classes.

18,415. (*Sir William Wedderburn.*) Has any great native Association, like the Indian National Congress, ever pressed for that rapid extension of railway communication?—Never.

18,416. In the 12 years in which they have made representations to Government, that has not been included in their programme?—Never.

18,417. Therefore, you assume that it has not been owing to Indian pressure, but it has been owing to English pressure that this activity has gone on?—Yes. That is my view.

11,418. (*Chairman.*) Now we come to the Famine Insurance Fund?—All statistics on the subject of this fund are already before the Commission. Of late years, there has been a great deal of controversy as to the real object with which the fund was created. I think the best evidence that I can offer on this point is to quote the following extract from the Report of a Parliamentary Committee, which examined in 1879 the subject of public works in India, and of which Lord George Hamilton was chairman:—"During the "financial years 1877–78 and 1878–79 additional taxation was imposed in India in order to establish an "annual Famine Insurance Fund of 1,500,000*l.* That "amount was fixed with reference to the famine "expenditure, which, during the last six years, had "amounted to the enormous sum (excluding loss of "revenue) of 14,487,827*l.*, of which a very large portion "had been met by borrowing."

18,419. (*Sir James Peile.*) Will you give us what that taxation was; you say taxation; what taxation?—The special taxes that were imposed by Lord Lytton.

18,420. What were they?—Well, the license tax was imposed, the officers of Government and certain other classes were exempted, but then the traders and such other persons were taxed; it was known as the license tax.

18,421. The question is what the license tax Act said; was it said in the Act that it was imposed to establish a fund of 1,500,000*l.*?—Well, the proceeds of the license tax were to form a famine fund.

18,422. Was it mentioned at all or referred to in the license tax Act?—I cannot say exactly what was contained in the Act itself, because I never thought anything of that.

18,423. It would all depend on that, would it not?—I have read the Viceroy's speech.

18,424. The object of the taxation would be stated in the legislation which established the tax?—I have read the Viceroy's speech and Sir John Strachey's speech on that occasion.

(*Sir James Peile.*) I gave in Mr. Wacha's evidence the preamble of two Acts which were passed in 1878 or 1879, one for the North-West Provinces and the other for the Punjab, in which I showed that the taxation

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was imposed—local rates it was—to strengthen the general finances in order to enable them the better to deal with the relief of famine. It was not said the taxes were set aside as part of the Famine Fund, as it is called.

18,425. (*Mr. Naoroji.*) You are reading now an extract from the report of the Parliamentary Committee?—I quoted from a report by a Parliamentary Committee, of which Lord George Hamilton was president.

18,426. (*Chairman.*) Yes, but I think the legislation itself is better evidence than what somebody said about it?—It depends on the view you take of the matter. I have in my hand here a despatch written that very year by the Secretary of State to the Government of India on this same subject of famine insurance. Lord Cranbrook there also uses precisely the same language. I will read from that after I have finished the extract from the Committee's report, but he uses precisely the same language.

18,427. Yes?—This is what the Parliamentary Committee says:—"The object, therefore, of this Famine "Insurance Fund was, by increasing the revenue, to "avoid the constant additions to the debt of India "which the prevention of periodical famines would "entail, by either applying that increase of income to "works likely to avert famine, and thus obviate famine "expenditure, or by reducing annually debt contracted "for famine, so that if famine expenditure should again "become inevitable, the reduction of debt made in years "of prosperity would compensate for the liabilities in"curred during scarcity. This increase of taxation was "sanctioned by the Secretary of State in Council on "this understanding. Last September, the Home "authorities received a despatch from the Indian "Government adverting to the difficulty of discrimi"nating between works strictly productive, and those "only admissible as providing against the effects of "famine, and proposing 'to accept a yearly maximum "'dead-weight charge, to be fixed, as experience may "'suggest, for works constructed as productive, "'whether under the existing strict conditions, or, "'as now proposed, in order to prevent famine or give "'protection from famine, or diminish the expendi"'ture for the counteraction of famine, if it occurs.' "In other words, 'they would limit to a specific "'maximum amount the net expenditure for the "'interest on the capital cost of all such works and "'their maintenance, after setting off all the net "'income yielded by the works.' In addition to the "annual loss entailed by 'their net existing liabilities,' "they proposed to add an annual sum not to exceed "25 lakhs of rupees, and they thought that that "amount might form a primary charge upon the "Famine Insurance Fund 'on the consideration that "'the construction of any works not fully productive, "'according to the existing definition, which may be "'thus facilitated, will cause an equivalent reduction "'of the ultimate liability on account of famines when "'they occur.' The first portion of this proposition "has been already suggested by the Indian Govern"ment in 1876, and rejected by the Secretary of State "in Council. The latter part of the suggestion by "which it is proposed to permanently assign 25 lakhs "of rupees of the Famine Insurance Fund, in order "to raise money for the construction of famine works, "not fully productive, is an entire inversion of the "object for which the fund was raised. This increase "of taxation was justified as necessary, in order to "meet, as far as was possible, famine expenditure for "the future out of income; but to immediately "appropriate a portion of the income so raised to pay "the interest of new loans was a proposal which, in "the opinion of your Committee, the Secretary of State "in Council had no option but to reject." Lord George Hamilton is now Secretary of State for India, and, judging from a recent debate in the House of Commons, his Lordship seems to have forgotten what he wrote in 1879 as chairman of that Parliamentary Committee. The Indian people, however, have a better memory. There is another document that I would also put in here with your Lordship's permission,* and that is a despatch written by Lord Cranbrook on the 20th February, 1879, on this same subject of the Famine Insurance Fund, and therein he expresses precisely the same views. In paragraph 6 he says:—"It had been laid down "by Lord Northbrook in 1874, 'that, besides a fair "'surplus of income over ordinary expenditure, such "'a margin should be provided, in addition, in ordi"'nary times, as shall constitute a reasonable provision "'for meeting occasional expenditure upon famines'; "and, in referring to the subject in the debate of the "27th of December, 1877, Sir John Strachey mentioned "the argument of Lord Northbrook, 'that, if this "'surplus were devoted to the reduction of debt, or "'to preventing the increase of debt for the construc"'tion of reproductive or public works, in years of "'ordinary prosperity, there would be no objection "'to the public expenditure exceeding the public "'revenue in occasional years of adversity, so that we "'might then, without objection, meet the charges on "'account of famine from borrowed funds, to the full "'extent to which our surplus had permitted the dis"'charge of debt or prevented its increase.'" Then Lord Cranbrook proceeds to say:—"The cost of the "famines was estimated, on an average of years, at "about 1,500,000*l.*, and provision was made for meeting "this expenditure by measures of financial decentrali"sation, and by new taxation. 'The Government of "'India,' said Sir John Strachey, 'intends to keep "'this million and a half as an insurance against "'famine alone; . . . . we consider that the esti"'mates of every year ought to make provision for "'religiously applying the sum I have mentioned to "'this sole purpose; and I hope that no desire to "'carry out any administrative improvement, how"'ever urgent, or any fiscal reform, however wise, "'will tempt the Government to neglect this sacred "'trust.'" That is a quotation from Sir John Strachey's speech which Lord Cranbrook has given here. Then he proceeds to show how the hypothecation of 25 lakhs of rupees would be an inversion of the fund. The whole thing is, in fact, stated as we have it there in the Parliamentary Committee's report, which I have already quoted. Further, in 1884 there was another Parliamentary Committee on Indian Railways, and this Committee also went into the subject of the Famine Insurance Fund. Lord George Hamilton was also a member of this Committee, Mr. Arthur Balfour was a member, the late W. H. Smith was a member. This Committee of 1884 wrote about this question as follows:—"Having regard to the certain recur"rence of periodical famines, and being of opinion "that the cost of famine reliefs should not be added "to the permanent debt of the Company, the Govern"ment of India established, in 1878, an annual Famine "Insurance Fund of 1,500,000*l.* This sum was fixed "upon the calculation that famine reliefs would cost, "in every 10 years, 15,000,000*l.* And the additional "taxation required to provide the Famine Insurance "Fund was sanctioned by the Secretary of State in "Council, on the understanding that the revenue thus "raised should be applied to the construction of works "likely to avert famine, or to the reduction of debt "contracted for famine expenditure. Proposals have "more than once been made by the Government of "India to hypothecate a portion of the annual Famine "Insurance Fund to the payment of interest on money "borrowed for the construction of railways. But the "Secretary of State in Council has declined to sanction "these proposals, and the Select Committee of 1878-79 "were also of opinion that the appropriation of a part "of the Famine Fund for the payment of interest on "loans raised to be expended on famine works, not "fully productive, would be an entire inversion of the "object for which the fund was created." They repeat that again later on too; that is the gist of the whole thing.

18,428. (*Sir James Peile.*) That is all very well, Mr. Gokhale, but has not that been substantially carried out?—No. You pay now the interest of the Bengal-Nagpore and Indian Midland Railways out of the Famine Insurance Fund.

18,429. That is looked upon as a protective line, but that is a small item. What I wish to draw attention to is the statement made by Sir James Westland in the last financial statement. You saw, no doubt, that in 15 years 17,500,000*l.* of famine grant surplus had been actually expended. You object to one item, but I think there were 10,000,000*l.* on railways and 5,000,000*l.* on the redemption of debt, the total being 17,500,000*l.* in 15 years. Now, there was no absolute legal obligation to put aside the 1,500,000*l.*, whether there was a surplus or not. There must be a surplus before you can put it aside, and the Government of India have actually managed to put aside 17,500,000*l.* in 15 years; also they have lately decided that, the protective railways being now completed, it is no longer necessary to put aside so large a sum as 1,500,000*l.* surplus, but that 1,000,000*l.* would suffice. I want to know what your

* Appendix No. 79.

grievance is?—I believe Mr. Jacob has given all the figures connected with this, and they are published in one of the appendices of the first report of this Commission. There the figures are given from 1879 or 1880 up to the present. During five years, during Lord Dufferin's time, the allotment for the famine grant was very small; and then for several years past this hypothecation of a portion for paying the interest on railways, which was expressly condemned by two Parliamentary Committees, and by the Secretary of State twice, has been also now allowed, and our grievance is in respect of this; when the fund was first created, it could be devoted to two objects only, namely, either to capital expenditure on the construction of productive public works, or to paying off debt; on no third object was it to be used.

18,430. Not on direct famine relief?—I beg pardon, that was, of course, implied; in fact, Lord Cranbrook called on the Indian Government to transmit every year half the money to England to be invested, or paid off in discharge of previous liabilities; that was the original idea of the fund. How the fund is now administered is well known.

18,431. (*Chairman.*) The Government of India has changed its view on certain matters; it is not bound not to change its view as long as it maintains a sufficient reserve?—No doubt; but special taxation was imposed.

18,432. (*Sir James Peile.*) I combat that, and ask: is there a special taxation?—There is.

18,433. There is the law?—And there are the speeches of Sir John Strachey.

18,434. And there are the Acts?—I should take my view of them from——

18,435. More from what people say than from legislation?—More from what a responsible Secretary of State says.

18,436. Than from legislation?—The Secretary of State sanctioned the taxes.

18,437. Than from the legislation itself?—I have not seen the Act; I cannot say anything.

18,438. You have not looked up the Act?—I did not think anyone would dispute what the Secretary of State himself had said about his own object.

18,439. Not when he legislates and puts his thoughts into an Act. Is not what he says in an Act more important than what he says as an *obiter dictum*?—Here he distinctly says that the legislation was sanctioned on this understanding; the understanding of the Government of India would not appear in the Act.

18,440. Your claim is upon a pledge given by the Government, not upon any legislation?—Yes.

18,441. (*Sir William Wedderburn.*) It is not upon any legislation, but it is upon a personal pledge given by the Government that they were raising the money for a special purpose, and making it a sacred trust. That is your ground?—Yes.

18,442. The Government never made it a sacred trust; such words were only used?—Lord Lytton said, "to say anything else is to insinuate a calumny"; those were the words he used.

18,443. (*Chairman.*) There have been quotations made from Sir John Strachey, but I think it rather interesting to take the whole of his statement. Sir John Strachey, in explaining, on the 27th of December 1877, to the Legislative Council in India the measures that had been taken, said:—"It is the firm intention of "the present Government to apply the funds now to "be provided for this special purpose, strictly to the "exclusive objects which they were designed to "secure. In such matters, no doubt, Governments "cannot fetter their successors; and nothing that we "could now say or do would prevent the application of "this fund to other purposes. Without thinking of a "future far removed from us, events might, of course, "happen which would render it impossible even for us, "who have designed these measures, to maintain our "present resolutions. So far, however, as we can now "speak for the future, the Government of India intends "to keep this million and a half as an insurance against "famine alone. In saying this, I should explain that "we do not contemplate the constitution of any sepa-"rate statutory fund, as such a course would be "attended with many useless and inconvenient compli-"cations, without giving any real security. Unless, "then, it should be proved hereafter by experience that "the annual appropriation of a smaller sum from our "revenues will give to the country the protection "which it requires, we consider that the estimates of "every year ought to make provision for religiously "applying the sum I have mentioned to this sole "purpose"; and this is the point which has been relied on after the statement that has been quoted:—"And I "hope that no desire to carry out any administrative "improvement, however urgent, or any fiscal reform, "however wise, will tempt the Government to neglect "this sacred trust." Here, in the speech in which Sir John Strachey explains the Bill which he is going to bring in, he especially says that, if it should be proved by experience in the future that the annual appropriation of a smaller sum will suffice, it may be varied, and, further than that, he expressly says that he cannot bind future Governments. Now, I do not think you can say that such a speech as that creates a sacred trust which can never be departed from. And, further than that, I would ask you this: Would you really mean to say that because a statesman said, 20 years ago, that a certain charge is necessary, that that statement is to be binding for all time?—In regard to the first part of your Lordship's question, I may say I was aware of that quotation from Sir John Strachey's speech. It was used in the recent debate by either Lord George Hamilton or Sir Henry Fowler. I was careful, therefore, not to make any quotation from Sir John Strachey myself. That quotation is one given by the Parliamentary Committee and another by Lord Cranbrook himself, and I only read those two extracts; but Sir John Strachey was there only speaking as a member of Council; Lord Cranbrook, however, showed on what grounds the formation of the fund and the imposition of the tax were authorised by him. I believe that ought to dispose of that first question. In regard to the second, I quite admit that a mere declaration made 20 years back need not always be binding, but the Government should openly come forward and say so. When Lord Dufferin, for instance, wanted to take away a large portion of the Famine Grant, what he should have done was this: he should have formally announced that the Famine Insurance Fund, for which extra taxation was imposed, no longer could be contributed to in that manner. In fact, what the Government did was to take advantage of the Famine Insurance Fund in that year, and escape the additional unpopularity which would have come to them, if this fund had never been created, from the imposition of new taxes. If there had been no Famine Insurance Fund in 1886, Lord Dufferin would have been compelled to put on certain extra taxes, when he wanted extra expenditure. But, having been able to take advantage of the Famine Grant as it stood, they escaped that unpopularity.

18,444. Now, it appears to me to be the judgment of the Government at present that the end for which the Famine Fund was established has been accomplished, that this sum of 17,000,000*l.*, which has been applied, has accomplished the end, and that they are in a position now to reduce the annual sum to 1,000,000*l.* What do you say about that? Do you consider that they are entirely wrong, that the works up to the present are not sufficient, and that this dictum of 20 years ago is to be as if it were a sacred communication from on high which is never to be departed from, namely, that 1,500,000*l.* in good weather or bad weather, adversity or prosperity, is to be spent by the Indian Government, whether it is wanted or not?—I do not say that, but I would say this, that the reduction of the Famine Grant from 1,500,000*l.* to 1,000,000*l.* was decided on about a year and a half or two years ago, when the present famine had not visited the country; in fact, the Government seemed to think that, because for a few years there had been no famine, therefore they need not take that possibility into account. The present famine has profoundly modified the situation; I should expect a change of view in the Government.

18,445. (*Sir James Peile.*) They never said they thought that there would never be any more famine?—They have not said that, but they thought they had made adequate provision for famine.

18,446. Did you see what Sir James Westland said as to the results of the Famine Grant, that, though the present famine is a very much more widely extended one than the famine of 1876, yet the Government anticipated that the expenditure would be considerably less; and that he attributed to the construction of protective railways from the Famine Insurance Grant?—That remains to be seen; if the famine extends over two years as it did 20 years ago, I fear things will be too horrible to think of. That is my view.

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18,447. It is not necessary to assume that, in order to give a dark colour to the picture?—I do not want to, but you must compare like with like. That famine lasted two years; how can you compare that with this famine?

18,448. That is not what Sir James Westland did?—I have not read that speech; surely he would not compare two years with one.

18,449. (*Sir William Wedderburn.*) If the Government determined to vary that original arrangement and reduce the 1,500,000*l.* to 1,000,000*l.*, do you not think it would have been a reasonable thing also to reconsider the special taxes, by which that money was raised, and, if only 1,000,000*l.* was wanted, to reduce the taxes that were to produce that sum?—Yes.

18,450. (*Chairman.*) I have a paper before me, which Sir William Wedderburn gave me, on the subject of the Famine Fund, and it carries the receipts from assessed taxes up to 17,000,000*l.* I am informed that that column is not a correct one. First of all, it leaves out the local assessments which were made for the purpose, and, next, it includes the extra money which was obtained when the license duty was converted into an income tax; and I am informed that practically these extra cesses and these license duties, at the rate at which they were imposed under the bill of Sir John Strachey, would not amount to more than 1,000,000*l.* a year?—My Lord, the Secretary of State, writing at that time, admits that the extra taxation was intended to raise this sum of a million and a half. That puts the Indian Government out of court, I believe, on this point; it is too late now to say that the extra taxes raised less than that amount.

18,451. I do not think it is so, begging your pardon; what I believe to be the case is that he put the insurance against loss of revenue and actual expenditure on famine at not less than Rx. 1,500,000. The first step taken to meet this charge was to extend the system of decentralization of provincial finance, by which the Imperial revenue was relieved by about Rx. 400,000 a year; that is to say, Rx. 400,000 was added to the Imperial surplus. This left Rx. 1,100,000 to be obtained by taxation, and the extra taxation imposed was, therefore, to be Rx. 1,100,000 for this purpose, and, as a matter of fact, Rx. 1,100,000 was the produce of the extra taxation?—I would only make one observation, if your Lordship will allow me; I accept those figures which have been just now given by your Lordship. What I mean to say is that that is comparatively a small point. My complaint is two-fold. First of all, they have been paying interest out of the fund, which was repeatedly declared to be an entire inversion of the fund; secondly, when they first diverted the fund to other purposes, they never made an express declaration that they were so doing, which they were bound to make in view of the pledges which they had given before.

18,452. (*Sir James Peile.*) I want to revert for a moment to what I said about the resources of the people in time of famine, as shown in the ornaments being sent to the mints?—Yes.

18,453. I wish to read a paragraph from the Indian Currency Committee's Report: "During the period of "the great famine of 1877 and the following years, "large quantities of silver ornaments were minted. In "three years no less than Rx. 4,500,000 were thus "turned into money"?—How much?

18,454. Rx. 4,500,000?—But for what population?

18,455. That you may take as a general statement. The famine affected the people in Madras and Bombay?—But it would indicate a very small amount of relief.

18,456. That is not the question?—Then what is it?

18,457. (*Sir William Wedderburn.*) But from the fact of their ornaments having been sacrificed in the last famine we may assume that they are in a less favourable position to meet the present famine?—Certainly.

(*Sir James Peile.*) Why?

(*Sir William Wedderburn.*) Unless we know that they have been replaced.

18,458. (*Sir James Peile.*) But do you know that they have not been replaced?—You must also look to the habits of the people. The parting with ornaments in our case is like parting with hats and clothes and other hings looked upon as necessary by the English people.

18,459. (*Chairman.*) The Indians are luxurious?—My Lord, it is only a small ornament here and there. But your Lordship may calculate how much that Rx. 4,500,000 is per head. The people live in the most simple manner possible. Each girl that is married feels that she must have some small silver thing.

18,460. It shows a taste for luxury, which is expensive?—They spend next to nothing on their daily wants, and on their clothes and other things.

18,461. But, with regard to what Sir William Wedderburn says, I think we have what looks very much like a proof that these ornaments have been replaced, because a very large amount of silver and gold has gone into India, which has not, as far as our returns go, been exported?—But who has absorbed that, that is the question. What classes have absorbed the gold and silver?

18,462. It only shows, as I say, the great taste of the Indian people for ornament, which is a form of luxury?—Just in the same way they have to spend large amounts on funerals. They groan under the system, and have to go to the money lender; but they must do it; it is the social life of the people.

18,463–4. (*Sir William Wedderburn.*) For a respectable Hindu woman to give up all her ornaments would be like a woman in this country parting with her wedding ring, so to say?—Yes. That would be a proper parallel.

18,465. (*Chairman.*) Now, would you pass on to the Civil Departments of the Bombay Presidency?—Yes, I now come to a criticism of the Civil Departments of my Presidency, on which subject, I understand, the Commission would like to hear my views. I may mention that a very exhaustive memorial criticising the working of these departments, from the financial point of view, was submitted in 1886 by the Poona Sarvajanik Sabha, of which I was Hon. Secretary for seven years, to the Finance Committee appointed by Lord Dufferin. In so far as the situation has undergone no change, that criticism has only to be briefly repeated on this occasion. Where the situation is altered, I must modify our observations of 10 years ago.

General Administration.—The total charge under this head in 1884–85 was about 12½ lakhs of rupees. In 1894–95 it was over 14½ lakhs. A large part of the increase is due to exchange compensation allowance. About half a lakh is due to the transfer of the charges of the Inspector-General of Gaols, Registration, and Stamps to this head. The increase in the Civil Secretariat is striking, being about Rx. 6,000. The expenses of the staff and household of the governor have also increased from Rx. 8,600 to over one lakh. It has long been felt that the Bombay expenditure under both these heads is on an extravagant scale. In Madras they manage things much cheaper. Madras is a larger Presidency than Bombay, and yet, in 1894–95, its Civil Secretariat expenditure was only Rx. 39,640, as against Rx. 41,400 for Bombay. Similarly the staff and household expenditure in Madras in that year was Rx. 4,600, as against Rx. 10,700 for Bombay. On this point I would suggest that the staff and household allowance in Bombay should be commuted into a lump sum of about Rx. 6,000 a year. The intermediate supervising staff of Commissioners of Divisions also comes under this head. Its cost in 1894–95 was over 3½ lakhs. This item of expenditure is a very heavy and perfectly needless drain upon the revenues. This institution of the Commissioners introduces an unnecessary step between the district and the headquarters of government, causes culpable delay in the speedy despatch of public business, and is opposed to the proper efficiency of the district government. The commissionership of the central division was, moreover, created 20 years ago, in consequence of the pressure of famine, and it ought to have been abolished as soon as the pressure had disappeared. *Land Revenue Administration.*—The charges under this head are about 65 lakhs and have for some years past been more or less steady. In the Presidency proper there are 12 senior and 9 junior collectors, with 41 assistant collectors. There is besides a large number of supernumeraries. Then there are about 50 deputy collectors and a large number of mamlatdars, one for each taluka. On an average, each district has one collector, two assistant collectors, one or two supernumeraries, and two deputy collectors, with a mamlatdar for each taluka. When the Revenue Department was first organised, the other Departments of the State were not formed, and the Revenue officers were the only officers whom Government could regard as its principal executive officers. Collectors therefore found it almost impossible to conduct their duties efficiently, and their staff had to be

strengthened by the addition of assistant collectors; but during the last few years, most of the other Departments have been fully organised, and each Department has now its special staff of administrative and executive officers. Under these altered circumstances, therefore, there no longer exists the necessity of maintaining the staff of assistant collectors under the District Revenue Officer, except so far as the necessary provision of training some few covenanted civilians for district work might require. For this purpose, one instead of two or three—the present number of assistants—would be more than sufficient. This change, without affecting the efficiency in the slightest degree, will relieve the State of a needless and costly burden. The district in India is the proper unit of administration, the collector being the chief representative of Government in the district. The present scheme of district administration, however, is radically defective, and entails a large waste of public money. The great multiplication of Central Departments which has taken place in recent years has, while imposing a heavy strain on the finances, considerably weakened the position of the collector, and the machinery of administration has, in consequence, become much more vexatious to the people than it was before. The great fault of the existing system is that the number of inspecting, controlling, and supervising officers is wholly out of all proportion to the number of real workers. Government, in all its departments, fixes the salaries of its officers high enough to show that it trusts these officers, and expects from them efficient and conscientious work; but, after showing this mark of confidence, it imposes check upon check, as if no officer could be trusted to do his duties. Perhaps, such a state of things was inevitable in the early days of British rule, when everything had to be properly organised, and various administrative reforms had to be carried out. But now that things have settled themselves, and most of the work done is comparatively of a routine character, it is a sheer waste of public money to maintain such a system of checks and over-centralization. I have already spoken of the Divisional Commissioners, who are at present only a fifth wheel to the coach. In the North-West Provinces, Punjab, and Bengal there are, besides the Commissioners of Divisions, Revenue Boards of two or three members. This double or treble machinery serves no useful purpose beyond a nominal but very often vexatious check. It may be admitted that some check is necessary, but too much check defeats itself by becoming either vexatious or nominal or both. What is wanted is a check more real, by its being more on the spot. The district being a unit of administration, the collector's position should be that of the President of an Executive Board, consisting of his Revenue, Police, Forest, Public Works, Medical and Educational assistants, sitting together each in charge of his own department, but taking counsel in larger matters with the heads of the other departments under the general advice of the collector-president. To this Official Board the Chairmen of the District and Municipal Boards may be joined as non-official representatives. These 10 members, thus sitting together, and representing as many departments, would form the best check on each individual department. With such a self-adjusting, simple, and effective system at work, the present complicated and less efficient system of check and over-centralisation might be dispensed with to the great relief of the people and of the finances of the Presidency. In fact, just as they have now got provincial decentralization, so if there was district decentralization, things would evidently improve.

18,466. The next point in your paper, Mr. Gokhale, is the Forests?—Yes. The expenditure under this head was Rx. 96,400 in 1891–2. In 1894–5 it was Rx. 103,400, an increase of Rx. 7,000 in three years. The increase was mainly due to exchange compensation allowance. The administrative charge in this department is excessive. The salaries of the conservators, deputy conservators, and assistant conservators, who, with the exception of one man, are all Europeans, amount to no less than $3\frac{1}{3}$ lakhs of rupees, or one-third of the whole expenditure. The Department, moreover, is working in a most unsatisfactory manner, causing immense discontent and irritation among the rural classes—a discontent gradually culminating in some parts in outbreaks of lawlessness. It also comes frequently into conflict with the Revenue Department. If the work be handed over to and placed under the charge of the collector with a forest assistant, its operations will be much less vexatious to the people, the conflict between it and the Revenue Department would be avoided, and the arrangement would result in a saving to the State. The Forest Department is at present controlled by three conservators, 19 deputy conservators, and nine assistant conservators. There are, besides, about 20 extra assistant conservators. This excessively costly staff could now be reduced and replaced by much cheaper agency, if the suggestion made above were carried out. Moreover, the work done by the lower-paid establishment should be, as far as possible, handed over to the village officers, who would do it much more efficiently and cheaply, as a small increase in their existing remuneration would be deemed by them as adequate payment for the extra work. Forest, irrigation, and agriculture are all at present separate departments, each working in its own orbit, though they all are supposed to discharge duties practically allied to each other. The promotion of the agricultural industry of the country is the common object of all; but, the departments being separate, work on their own lines—not always convergent to the main end. And there is necessarily a considerable waste of funds and effort. Even under the existing system, if these epartments were amalgamated, one supervising establishment would do where we now have three. The change will be attended with advantage to the agriculturists and relief to the finances of the country.

18,467. Do forests cover a large space in Bombay—I understand that it is to Bombay that you are addressing your remarks?—Well, they cover a fair proportion, I believe; I do not think that the forests are themselves excessive. I am in favour of having large forests; but the manner in which the forests are worked is what I find fault with.

18,468. You are not opposed to the protection of forests?—No, I am not.

18,469. The great forest district is Madras, is it not? I am not quite sure about that.

18,470. When you say that the manner in which the Forest Code is applied causes great discontent and irritation among the rural classes, gradually culminating in some parts in outbreaks of lawlessness, does that arise from the fact that, until the Forest Department was constituted on its present footing, great waste of forests was taking place, and that the local inhabitants resent any interference with their power of waste? Or do you think that it is possible to preserve the forests completely in the interests of India without arousing such a feeling?—This used to be the ground of complaint at one time, when the Forest Department was first formed; now the people have got used to that. But the principal complaint now is that the department tries to work itself as a department of revenue; and, therefore, the poorest classes, the lowest tribes, who live a nomadic kind of life in the forests, who gather fruit and small branches of trees that fall down and so on, and sell loads of small wood in bazaars, are being restrained from doing these things. Their ordinary source of livelihood is thus being stopped to them, and they are now taking to assaulting Government officers, which is a very serious thing. Only a few months back there was an outbreak in the Kolaba district, and there was another outbreak after that. The Deputy Collector was assaulted and the poor, ignorant people exacted from him a bond in writing that they would get cheaper food grains and salt, and that they would be allowed to take wood and all that sort of thing. The manner in which the Forest Department is worked is so entirely unsympathetic that the people are feeling greatly irritated.

18,471. When you speak of the Forest, Irrigation and Agriculture being all at present separate departments, each working in its own orbit, though they are all supposed to discharge duties practically allied to each other, may it not fairly be said that forestry is a special science?—Yes, that is so; but forests are for the benefit of agriculture; that is the principal object of forests, and under my scheme, if the Collector was made the supreme authority in the district, he might have a Forest assistant and an Irrigation assistant and an Agricultural assistant.

18,472. You do not propose to send the Agricultural assistant, who knows nothing about forestry, to take care of forests?—Oh, no, not at all; I only want the Forest assistants' conflict with the other departments to cease, which would be secured if they were all subject to one man, subordinate to him.

18,473. Now what would you wish to tell us upon the subject of the police?—The charge under this head in

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1894-95 was over 56 lakhs of rupees. In 1892-93 it was less than 51⅕ lakhs. The increase is chiefly due to the reorganization scheme carried out in 1894 at an annual cost of over 4 lakhs for the Mofussil police, and about 1 lakh for the police of the Presidency town. As in the case of several other departments, this department is largely over-officered in the upper staff. In 1884, the inspector-generalship of police was created with a salary of Rx. 2,400 a year. The creation of this office was not favoured by the Government of India itself for a long time, but it yielded at last to the persistent pressure of the local Government. This needless centralisation, in addition to being expensive, has disturbed the harmony which previously prevailed in the district administration, when the district police officer was a direct subordinate of the collector of the district. The police department has no policy of its own to carry out, and it may well remain directly under the collector in each district. I may mention that men like Sir Barrow Ellis were strongly opposed to the creation of the inspector-generalship. The superior staff has been constantly on the increase. In 1879 the number of district superintendents and assistant superintendents was 22. In 1886-87 it was 30. It now stands at 38, all Europeans. There are, besides, about nine probationers. The institution of the grade of police probationers has all along been regarded by the Indian public as a great scandal, and evidence was offered before the Public Service Commission that all the 13 probationers that had till then been appointed were relatives of persons occupying high posts in the administration, men who had failed in qualifying themselves for any other career.

18,474. (*Sir James Peile.*) There are no probationers now, are there?—Well, last year there were two or three appointed.

18,475. No probationers; by probationers you mean men appointed in India by the Provincial Government?—I do not know by whom appointed, but the civil list of January gives three appointed last year.

18,476. From England, I think?—I know that the condemnation of the appointments by the Provincial Government has led to a change; but how far the change has gone, I am not in a position to say.

18,477. (*Chairman.*) The probationers are Europeans?—Oh, Europeans, of course. But while the superior staff is excessive and too costly, the lowest grades in the department, the class of constables, requires large improvement. A much better type of men must be attracted to the ranks by offering adequate inducement. It is no exaggeration to say that the Indian police of the present day, outside the Presidency towns, are a thoroughly incompetent, unscrupulous, corrupt body, causing vast misery to the bulk of the people. They are often found to be themselves actively aiding and abetting crimes, especially crimes connected with property. Outside the Presidency towns there is no detective service worth mentioning. A large increase of expenditure is necessary, if the department is to be effective for protecting, and not harrassing, the general population.

18,478. (*Sir William Wedderburn.*) The quality of the rank and file would be very much improved if there were a reasonable prospect of good promotion?—I should think so.

18,479. A better class of men would come into the service?—Yes.

18,480. And if the positions that have been given to police probationers were given to experienced men who had worked their way up, that would do a good deal to improve the style of men in the police?—Certainly.

18,481. (*Chairman.*) Roughly speaking, what sort of number is the police force in the Bombay Presidency?—I should like to refer to the latest Administration Report before answering that question.

18,482. Could you not give us any idea; is it 10,000, 15,000, 20,000?—I must consult the Report; I have got one here; but I believe last year, when the new reorganization scheme came on, they made additions also to the lower ranks.

18,483. (*Sir James Peile.*) The reorganization was made lately?—Last year; they offered a little better pay also.

18,484. And in other provinces also the police has been reorganized lately?—I have read so in some newspapers, but I do not know anything definitely.

18,485. There is a movement generally towards reorganization; improving the pay, or both the promotion and the pay?—And so far that is good.

18,486. (*Sir William Wedderburn.*) The Provincial Governments would be glad enough to do it, if they had the money, I suppose?—Certainly, and therefore we are fighting for more money being given to the Provincial Governments.

18,487. (*Sir James Peile.*) The proposals to reorganize the police of a province come up to the Government of India and are approved by them, and come to the Secretary of State to be sanctioned. If he sanctions them, an arrangement is made about the money; the money is made available by the Government of India for the use of the province?—I do not think so; the Police department under the decentralization scheme is entirely a provincial department.

18,488. Certainly; but, if new expenditure is countenanced by the Government of India, they make an arrangement for supplying the money?—They have not done it in the case of these five lakhs. Not only that, but the exchange compensation threw a large portion on the Bombay Presidency not contemplated at the time of the contract.

18,489. Is it five lakhs in Bombay?—Five lakhs in Bombay; I think they thought it too small to need special assistance.

18,490. (*Sir William Wedderburn.*) You mention that, as a body, the district police are an unscrupulous and corrupt body. Is not it a very great argument for the extension of local self-government, that it gives the power in the villages to the respectable villagers, instead of to these men who are picked up in the bazaars, and whose object is to get more power rather than to do any good work?—Yes, that is so.

18,491. (*Chairman.*) The police force in Bombay appears to be very nearly 19,000; of that, may I take it that 38 are Europeans?—No; 38 is the number of the Superintendents and Assistant Superintendents.

18,492. Yes, then we come to the inspectors; are the inspectors European?—Some of them are Europeans and some are natives. Their salary stops at 250 rupees a month.

18,493. I suppose not many inspectors are Europeans?—There are some inspectors who are Europeans. I know of some. I believe it is about half and half. I am not quite sure, but it would be like that.

18,494. There are 277 deputy inspectors; are they natives or Europeans?—The deputy inspectors, I believe, must be natives for the most part.

18,495. And the sergeants or head constables?—They must be all natives, except a very few in the Presidency town.

18,496. When you say of the police that they are a thoroughly incompetent, unscrupulous, corrupt body, causing vast misery, I find that this large force of men is chiefly officered, except quite at the very top, by native officers. Does that look to you as if the native officers were very competent?—That is not my point, my Lord; my point is that the rank and file consists of such a low class of men that it is impossible to make them efficient.

18,497. But what I mean is that the actual discipline of these men lies in the hands of native officers?—The Superintendents are, in the first instance, responsible.

18,498. And I want to ask you whether you are satisfied—whether that is a good result? Because, native officers being in charge of these men, the only thing that you can say about them is that the men, for whose discipline these native officers are responsible, are a thoroughly incompetent, unscrupulous, corrupt body?—If the responsibility is to be apportioned in that way, the Superintendents and the District Superintendents will come in for their share first.

18,499. At the top?—Yes. At the top.

18,500. But the actual discipline, you must pardon me for saying, throughout the country must lie in the hands of this large force of native officers?—The better classes do not go into the force, because there are no good prospects; they must stop at a certain level. Above that all are Europeans, so they do not care to go into the service.

18,501. (*Sir William Wedderburn.*) Do you not think we could get for the police men as trustworthy and men as well educated for the higher grades as we have for

the subordinate judicial service—that same class of men?—Yes, there is no reason why we should not have them if equally good pay were offered.

18,502. And that class of subordinate judges in India is universally respected and trusted by the people?—Oh, yes, and by Government too; they have always been saying that they are a very efficient body.

18,503. (*Chairman.*) You advocate the necessity of a large increase in the expenditure on education, I think?—Here, too, a large increase of expenditure is necessary, if Government desires to discharge its duty adequately by the people. The charge under the head of education at present is about 20 lakhs, of which 3 lakhs are consumed in direction and inspection. Our percentages are no doubt slightly better than those for the whole of India, but that is hardly a matter for congratulation, seeing that what is being done is almost as nothing compared with what ought to be done. So long as we have only 9,000 public primary schools for over 25,000 towns and villages, and about 80 children out of every 100 of school-going age are growing up in utter darkness, so long the educational policy of the Government will always be a reproach to it. In this connexion there is one point to which I am anxious to draw the particular attention of the Commission. That point is the absolutely inelastic character of the financial provision which is made for primary education in rural areas. In these areas, primary education is now entrusted to local boards, Government contenting itself with a grant-in-aid to these boards of one-third the total expenditure. Now, the only revenue that these boards have at their disposal is the proceeds of the one anna cess, and these proceeds are devoted, in certain fixed proportions, to primary education, sanitation, and roads. As our revenue settlements are for periods of 30 years, it follows that during these periods the proceeds of the one anna cess must be more or less stationary, which means that the amount that local boards can devote to primary education, being a fixed proportion of those proceeds, must also remain more or less stationary during the currency of each period of settlement; and as Government will, as a rule, contribute only one-third of the whole expenditure, *i.e.*, one-half the amount spent by the boards, it is clear that the resources that are available for the spread of primary education are entirely inelastic for long periods. I believe Sir James Peile proposed, when he was Director of Public Instruction in Bombay, that local bodies should be empowered to levy special educational cesses if they pleased. In the absence of Government finding more money for the education of the masses—a duty definitely accepted as a sacred trust—this seems to be the only possible solution of the difficulty.

I now come to *Law and Justice.*—The charge under this head in 1894–5, excluding the cost of jails, was 46 lakhs of rupees. Of this sum the expenditure on the High Court came to about 6¾ lakhs. It has long been a matter of complaint that our High Court is managed on a more extravagant scale than that of Madras, the expenses of the latter in 1894–5 being less than 5½ lakhs. The great item of difference is the expenditure of the original side, which in Bombay is about 2¼ lakhs, and in Madras not even one lakh. The appellate side of the Bombay High Court, which does the appellate work for the whole Presidency, is maintained at a cost of about one lakh of rupees only. The expensiveness of the High Court is, however, not due so much to the cost of the machinery employed as to the monopoly enjoyed by solicitors and barristers, whose fees represent a charge on litigation which is almost prohibitive. It is, indeed, high time that the system of the civil and criminal administration of justice in Bombay was improved so as to render it less costly.

18,504. (*Sir William Wedderburn.*) You mean in the city of Bombay?—In the city of Bombay, I mean. The Finance Committee of 1886 made certain proposals about reducing the cost of the Bombay High Court, some of which have not yet been carried out. The Clerk of the Insolvency Court still continues to receive fees, amounting to nearly the salary of a puisne judge, for only nominal work. The Judicial Department is specially a department for high posts in which the qualifications of natives have been repeatedly recognised. The Public Service Commission recommended that one-third of the district and sessions judgeships should be set apart for natives. No effect, however, has yet been given in practice to that recommendation. The question of the separation of judicial and executive functions comes under Law and Justice. It is contended on behalf of Government that such separation would entail extra expenditure of something like half a crore of rupees for the whole of India. Now, in the first place, this appears to be simply an over-estimate. Assuming, however, that the additional cost would be as high as that, it is much less than what was given to the European services by one stroke of the pen in 1893—I mean the exchange compensation allowance. This year, in certain famine areas, sub-judges are entrusted with criminal work also, to the relief of revenue officers, and the experiment, so far, has succeeded very well. A similar experiment was tried during the famine of 1877 with equally satisfactory results. The stipendary sub-judges and sub-magistrates may with advantage be relieved of a portion of their lighter work by the appointment of honorary magistrates and arbitration courts. Honorary magistrates have already been appointed in the larger towns, but benches of such magistrates may be constituted in Taluka towns with great advantage to the Government and the people. Further, the caste and trade Panchayats may be utilised for the purposes of settling civil disputes. There has already been a reform in the manner of disposing of petty cases, and arbitration courts have been recognised as cheap and efficient institutions for the administration of justice in small cases. If the same principle be extended to the courts of subordinate judges, and if civil juries are associated with the sub-judges in the disposal of suits involving larger amounts of money, as also in deciding questions regarding rights and customs, ample relief will be afforded to the superior courts, which may ultimately enable considerable economies to be effected.

Then I come to the *Public Works Department.* The expenditure under this head, including provincialised railways and irrigation and civil works, was about 35 lakhs of rupees in 1894–95, out of which about one-third was for establishment. The first two items came to a little over 1 lakh, and the rest was for civil works. Except in Sind, we have no irrigation worth speaking of, and I think it would be a great advantage if the construction of storage tanks and wells in areas where the rainfall is uncertain were undertaken by the Government on a large scale and in a systematic manner. This was recommended by the Famine Commission; nothing has been done, however. As regards the civil works outlay, it is noticeable that the highly paid machinery of executive engineers, &c. is still kept up in all the districts, though in several of them the expenditure on civil works from the provincial revenues does not exceed a mere trifle, and the works required by the local funds are of a sort that far lower establishments can safely undertake. The reduction in the executive engineer's charges appears to be urgently called for.

18,505. (*Chairman.*) Next you wish to call attention to the question of the monopoly of the higher offices by Europeans?—Yes. Similar criticism might be offered about the remaining departments, but I have no wish to weary the Commission with further observations of the kind. But there is one great evil common to all the departments, and a few words on that may be allowed. This evil is the practical monopoly of all the higher posts by Europeans. The following analysis of the Civil List for the Bombay Presidency for January 1897 will make my meaning clear. *Covenanted Civil Servants*, or, as they are now called, Civil Servants of India. The total number of these civil servants attached to Bombay at present is 156, out of whom only 5 are Indians, these 5 having entered by the competitive door in England. There are besides 8 statutory Indian civilians. The Members of Council, the High Court Civilian Judges, the Commissioners of Divisions, the Secretaries to Government, the Senior Collectors, are all Europeans. *City Magistrates.*—There are four city magistrates, two on Rs. 800 a month, and two on Rs. 500 a month. The two former are held by Europeans (not covenanted), the two latter by natives. *Land Records and Agriculture.*—There are six posts in this department with a salary of over Rs. 400 a month. They are all held by Europeans. *Forest Department.*—There are 29 posts in this department, with salaries ranging between Rs. 400 a month to Rs. 1,600 a month. They are all held by Europeans. There are nine Europeans even below Rs. 400 a month. *Salt.*—There are 12 posts with salaries ranging between Rs. 400 to Rs. 1,130 a month. Only one of these is held by an Indian. *Post.*—The Postmaster-General is a civilian. There are 11 posts under him with salaries above Rs. 400, out of which seven are held by Europeans.

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Telegraph.—There are 12 posts in this department with salaries ranging between Rs. 400 and Rs. 1,000, and they are all held by Europeans. There are, moreover, 40 posts between Rs. 100 and Rs. 400 a month. Of these, also, 36 are held by Europeans. *Revenue Survey.*—There are 10 posts in this Department with salaries above Rs. 400. They are all held by Europeans.—*Accountant-General's Department.*—The Accountant-General and Deputy Accountant-General are civilians. There are five posts under them with salaries ranging between 400 and 1,000 rupees, four of which are held by Europeans.—*High Court Judges.*—Out of seven judges, two are natives.—*Government Law Officers.*—There are seven Government Law Officers of whom six are Europeans. Four of these get Rs. 2,000 a month and above, one gets Rs. 1,000, and the sixth man gets Rs. 250. There is only one native among these who is paid Rs. 300 a month.—*Officers of the High Court.*—There are 14 officers with salaries ranging between 400 and 2,500 rupees a month. Of these, six are Natives.—*Prison Department.*—The Inspector-General draws Rs. 2,000 a month, and there are under him 11 officers receiving Rs. 350 to Rs. 1,200 a month. They are all Europeans.—*Cantonment Magistrates.*—There are 11 such magistrates with salaries ranging from Rs. 100 to Rs. 1,250 a month. They are all Europeans.—*Police.*—There are 54 officers in this Department with salaries ranging between Rs. 250 and Rs. 1,800 a month. Of these only three are natives, and they are all drawing Rs. 250 a month. There are moreover, five officers in charge of railway police. They are all Europeans and draw salaries ranging between Rs. 350 and Rs. 1,000 a month.—*Education.*—The director is paid Rs. 2,500 a month, and under him there are 45 officers receiving between Rs. 400 and Rs. 1,500 a month. Of these only 10 are natives, and, with one exception, they get either Rs. 400 or Rs. 500 a month; the one gentleman mentioned as an exception is a native Christian and draws R. 633 a month.—*Ecclesiastical.*—There are 31 paid officers in this Department. They draw between Rs. 400 and Rs. 800 a month, and are, of course, all Europeans.—*Medical.*—The Surgeon-General draws Rs. 2,500 a month, and there are under him 59 officers drawing salaries between 400 and 1,600 rupees a month. Out of these only four are natives.—*Sanitary.*—There are seven posts in this Department with salaries between Rs. 400 and Rs. 1,200 a month. They are all held by Europeans.—*Political.*—There are 66 officers in this Department, drawing salaries ranging between Rs. 400 and Rs. 3,500 a month. This gentlemen drawing Rs. 3,500 a month is at Aden. Only two of these are natives, one of them drawing Rs. 400 and the other Rs. 450 only.—*Public Works.*—There are 83 officers in this Department, drawing salaries between Rs. 250 and Rs. 2,500 a month. Of these 23 are natives. The subordinate judgeships and deputy-collectorships are the only branches of the public service which are free from this practical monopoly by European officers. It may be mentioned that the posts in the special departments mentioned above are not reserved for a particular class of men by statute, and, subject only to departmental rules, their bestowal is entirely in the discretion of the Executive Government. It cannot also be urged, in the case of most of these departments, that the appointment of natives to the higher posts in them is ever likely to have an element of political danger in it. In the case of collectorships they may say the Collector is the head of a district, and the Government would not care to entrust everything to a native, but in the Forest and Accounts Departments what is there of danger?

18,506. Is there no possible danger in the case of the Police?—I have said most of the departments. I anticipated such a question, and therefore said "most of the departments." The question is essentially one of patronage. The word "patronage" I have taken from one of Mr. Lee Warner's minutes; and our complaint is that the best part of that patronage goes to persons who are not children of the soil.

18,507. That completes the remarks which you would wish to offer upon administration?—Yes.

18,508. We have yet another branch of our inquiry which you have not as yet touched, namely, the Apportionment of Charges between England and India?—Yes; I have not much to say upon this. On the narrower ground which the Government of India have chosen to occupy in this matter, they have, I think, stated the case for India very effectively. I agree, however, with Mr. Dadabhai Naoroji and Mr. Wacha in thinking that the field, in respect of which equitable apportionment is necessary, is much wider than that. I will add a few observations to explain my meaning:—*The India Office Charges.*—These, which stand at about 273,000*l.*, ought to be borne by England, or, at least, divided half and half between England and India. The Secretary of State for India, as a member of the Imperial Cabinet, represents the Imperial Executive and discharges the Imperial function of general controlling supervision in respect of Indian administration just as the Secretary of State for the Colonies does for the Colonial Governments. The salary of the Colonial Secretary together with his office charges is borne on the Imperial Estimates. In strict justice, therefore, the India Office ought to form part of the Imperial Establishments and be paid out of the Imperial Exchequer. I am, however, aware that it is urged on the other side that, under present arrangements, the India Office has to do much directive and executive work in regard to Indian administration which the Colonial Office is not called upon to do, and I should therefore be satisfied if the charges were divided half and half between India and England. (2) *Army charges due to recent additions.*—These increases were due to the panic caused by the Penjdeh incident, and were alleged to be necessary for the better protection of the north-west frontier. Upper Burmah was, however, subsequently annexed, British Beluchistan was organised, various frontier enterprises carried out, and almost the entire increased strength has been thus absorbed in these newly conquered territories, a fact which shows that they were not really required for purposes of the defence of the north-west frontier. Similar temporary additions were made at the same time to the Imperial garrisons in other parts of the Empire in view of an imminent conflict with Russia, Mr. Gladstone obtaining a large vote of credit for this purpose; but, as soon as the emergency passed away, the garrisons were reduced everywhere else. Only in India was the increased strength maintained. These additions were in excess of the maximum defence requirements of the country as defined by the Army Commission of 1879 in view of frontier and other contingencies, even Russia and Afghanistan making common cause. The additions were protested against, when made, by two members of the Viceregal Council, including the Finance Member, who urged that in the first place they were not necessary, but that, secondly, if they were wanted, that was for purposes of the Imperial policy, and the Imperial treasury should pay for them. This increased force, therefore, of 30,000 troops forms no part of our Indian Army proper, but is an Imperial garrison, and serves as an Imperial reserve, and the cost of it ought to be an Imperial charge.

18,509. In mentioning that two members of the Council protested, we must bear in mind that they were the Finance Member, and the Legal Member?—Yes.

18,510. As against that, one must bear in mind that the expert members of the Council thought differently, and considered that this force was necessary for the defence of India?—Yes, I am quite aware of that, but then my argument is this; if the force that was then added was necessary for the purposes of strengthening the north-west frontier, why have they not increased the army on account of Burma? They have now more territory thrown on their hands on account of Burma, British Beluchistan, Gilgit, and Chitral; and yet the same army suffices, which means that at one time so much was not wanted. That is the only inference that I can draw as a non-official critic.

18,511. (*Sir Donald Stewart.*) But supposing Burma had not been annexed, is it not possible that that force might have been reduced?—I should have thought so.

18,512. Very good then; but the annexation of Burma absorbed the whole of that additional force?—A very large portion of it, yes.

18,513. (*Mr. Naoroji.*) But then it was not necessary that Burma should have been annexed to India; it might have been treated as a separate territory?—Yes.

18,514. And the Indians, the National Congress, declared so?—Yes, but my point is this; in the correspondence that took place between the Secretary of State and the Government of India the increases are spoken of as permanently wanted; in fact there was a telegram from the Secretary of State inquiring whether the increases were meant to be permanent, and the Government of India telegraphed back, "yes." If they were permanently wanted for the north-west frontier before Burma was annexed, how could they withdraw

a portion and spare it for Burma, when Burma was annexed? That is the only inference that I draw.

To resume—(3) *Our ordinary debt.*—Our ordinary debt as distinguished from our Public Works debt stands at present at 68 crores. This portion of our debt would not have until now remained undischarged, but for charges unjustly imposed upon us in the past in respect of various wars and expeditions in promotion of Imperial schemes or territorial expansion:—

	Cost in crores.
First Burmese War (1823)	13
First Afghan War (1838-42)	15
Abyssinian War	·6
Second Afghan War (Total cost = 22 crores minus Imperial contribution - 5 crores)	17
Egyptian War	1·2
	46·8

Add to this 67·8 crores thrown upon India since 1885 in pursuance of an Imperial policy as shown in the following Table:—

Frontier Expenditure since 1885.	Aggregate Charge during the Period in Crores or millions Rx.	Permanent Annual Charge in Crores or millions Rx.
Military roads	1·250	—
*Strategic railways	14·000	·600
Special defence works	4·630	—
Army increases (including Beluchistan garrison).	22·000	3·900
Frontier extensions:—		
(1) Upper Burmah	14·920	·925
(2) British Beluchistan	—	0·086
(3) The Gilgit Agency and Protectorate (including Chitral).	—	·220
(4) Somali Coast	—	·012
(5) The Afghan Protectorate	—	·180
Cost of expeditions, &c. (exclusive of Burma).	8·240	—
Political expenditure	2·838	·457
Total in crores	67·878	6·038

* The charge is met from capital and not from current revenue.

18,515. (*Chairman.*) I do not quite understand the separation between these charges; is the 6·038 crores Rx. in respect of loans which have been raised for the purpose?—More than three millions is for the army increase; it is 3·90 for army increase—30,000 troops.

18,516. How do you arrive at the annual charge of army increases?—From the Army Budget, 22 crores is the total charge—I mean the total charge we have had to bear during all these 10 years for this increase in the army.

18,517. Cumulative evidently?—Cumulative; and this 3·9 millions is the annual charge which we are to bear every year; but for this increase we should not have had to bear this charge.

18,518. It is an easy way of raising a heavy charge, is it not, first of all to say that this charge is unjust, and then to add up the sums so expended over many years? If it goes on for many years, it is rather an easy way of making out a large bill. I am not sure that we could not all make a heavy bill against somebody in that way?—It is the natural way of looking at the thing for those who think a charge is unjust.

18,519. What a charge we might make out in England now! It is easy for me to say that 200 years ago William III. acted wrongly in going to war with France, and, therefore, to carry forward all expenditure that happened in consequence during that 200 years—we ought to add on interest—that is an easy way of raising a formidable charge, I think?—I think that is putting it in too extreme a manner; this is only a matter of 10 years; and this increase was carried out in spite of the protest of the people, and in spite of the protest of some of the advisers of Government.

18,520. But this charge will go on, and will increase every year. I am criticising only your cumulative bill. I am not criticising the position that you have a right to say that you think such-and-such charges are heavy?—I mention it, because we make a claim for restitution of so much money on behalf of India,; just as in the case of the Irish Commission, they have mentioned a certain sum in regard to which Ireland claims restitution. We get thus a total of 111 crores of rupees, unjustly imposed by the Imperial Government on us in furtherance of its own policy. If even half the sum were refunded to us, our ordinary debt would practically disappear.

18,521. I observe that that statement rests entirely upon the assumption, which is by no means proved, that the charge was unjustly imposed?—But take the first Burmese War. The Court of Directors protested against that, but the Imperial Government insisted upon its being undertaken. The first Afghan War—the Board of Control ordered it, and it was prosecuted under orders sent directly, and against the wishes of the Indian Government. The second Afghan War was also ordered direct from England by Lord Beaconsfield. In the case of the Egyptian War the Indian Government protested.

18,522. But in many of those cases the Government undertook the war believing that it was necessary in the interests of India, did it not?—The Government here ordered the war, the Government there protested against it.

18,523. (*Sir Donald Stewart.*) Who initiated it?—The Government here—the British Government.

18,524. Have you any authority for that?—I believe from all that I have read—this seems to be accepted by almost everyone—that the first Afghan War was ordered by the Chairman of the Board of Control directly.

18,525. Go to the last Afghan War?—Yes, even in regard to that I think the same. Lord Northbrook resigned rather than carry out certain instructions which he received from his Government here; then Lord Lytton was sent out to succeed him, with special instructions, I think, to carry out a certain policy, and that brought on the complication.

18,526. I doubt if there is any real authority for that statement?—I think Mr. Naoroji went carefully into this question. Declarations of Mr. Gladstone, Lord Salisbury, and Mr. Fawcett were quoted to show that that was essentially an Imperial war.

(*Mr. Naoroji.*) Lord Lytton has said, on the authority of Lord Salisbury, that he was instructed to regard it as an indivisible part of a great Imperial question.

18,527. (*Chairman.*) Perhaps the method you adopt may be put in this way, that whenever native opinion says that it does not altogether approve a charge, that charge is to be put into an account, and England is to be called upon to make restitution; that is the argument, is it not?—Not quite that. When the Government of India also is on the same side, I think that alters the position very much.

18,528. Will you go on?—I would mention in this connection that we have paid every shilling of the cost of British conquest, including even the cost of the suppression of the Mutiny (which was close on 50 crores). England contributing absolutely nothing in aid of all this expenditure. England has paid such charges for Imperial conquest or settlement in respect of her colonies. She has even paid the cost of the suppression of the insurrection in Canada (1838-43), out of Imperial revenues. Nor has she ever called upon her colonies—not even the Cape—to undertake Imperial wars or to contribute towards their charge. *Upper Burmah* lies beyond the Indian frontier, and we have had no interest in its conquest and annexation except as a province to be held and administered as an Imperial trust. The conquest was effected in furtherance of Imperial policy and the commercial interests of the Empire, and no special Indian interest was ever here at stake. British Beluchistan and the Gilgit Protectorate are beyond the line of our impregnable defences, and India has no concern with them except as Imperial charges. These are new conquests, and, as years pass by, will require large

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expenditure for purposes of administrative improvement and material development. And it is suggested that they be taken off our hands, as Ceylon, St. Helena, and the Straits Settlements were in a former day—and be directly administered as appanages of the Crown. I would only add one thing, Ceylon was conquered at the expense of India, and has been raised to the position of a Crown Colony; but the expenses India incurred in connection with Ceylon were not refunded. Certain pensions which were granted to officers India continued to pay up to a very recent time. Bechuanaland (South Africa), is administered as a Crown Colony, and is not thrust on the hands of the Cape. *Political Expenditure beyond the Frontier.*—This is properly Foreign Office expenditure as being connected with the general foreign relations of the empire. Foreign policy and control of foreign relations are Imperial functions, and charges in connection therewith, in whatever part of the empire, ought to be borne on the Imperial estimates. India has no interest whatever beyond her territorial borders, and has only to maintain peace and order on her own side of the frontier. The Indus, the desert, and the Himalayan wall are impregnable lines of defence on the north-west, behind which she can remain in perfect security. All such expenditure, therefore, as is represented by the subsidies to the Amir and other tribal chiefs, and other like charges, is strictly Imperial in furtherance of Imperial interests in mid-Asia. Lastly, *The irreducible minimum of Europeans.*—If England thinks that a certain number of European officers and a certain strength of the European Army *must* always be maintained in India, she must be prepared to pay a fair share of the cost thrown on India for the purpose, the maintenance of British supremacy in India being a matter affecting the most vital interests of England.

18,529. And also the most vital interests of India?—Therefore, I say, the charges should be divided between the two.

18,530. (*Sir James Peile.*) You have quoted this resolution of 1888, of the Government of Lord Dufferin, I think?—Yes.

18,531. What you refer to is this 17th paragraph, I think (*showing book to witness*)?—Yes, and the 18th.

18,532. And the 18th. What the Government of India says is this—you consider that it said that the educational expenditure should be stopped?—I did not say "stopped"; I said they should be "a constantly "diminishing quantity." You will see they have put it more clearly in the next paragraph at the bottom.

18,533. The point is to see under what circumstances and under what conditions the Government of India proposed that it should be reduced?—Yes.

18,534. Would you read it?—Yes. "Passing from "the statistics of attendance at the various classes of "Indian schools and colleges to the expenditure on "education, we find that in 1881–82 the total "expenditure on public instruction in India was, in "round numbers, 186 lakhs of rupees. Four years "later (in 1885–86), the total had risen to 240 lakhs; "and last year it stood at a little over 252 lakhs. At "the beginning of the five years the government bore "73 lakhs of this expenditure, while local and "municipal funds contributed 32 lakhs; the balance "of 81 lakhs, consisting of fees, subscriptions, "endowments, &c., falling on the public. In the year "1885–86 the share of the Government is shown at "80 lakhs; that of local and municipal bodies at 48; "and that of the public at 112 lakhs. The share "assigned to local bodies, however, is not entirely the "proceeds of local taxation, but includes an item of "4½ lakhs contributed by government, so that in "effect the share of Government at this period stood at "about 84½ lakhs. Next year the shares are shown "at 85½ lakhs for Government, 49 lakhs for local and "municipal boards, and 117⅓ lakhs for the public. "But of the 49 lakhs expended by local bodies, 6½ were "contributed by Government, so that there has been a "progressive increase in the Government expenditure. "The Governor-General in Council considers that the "growth of the share borne by local bodies should, for "the future, exhibit a more marked increase than it "has done since 1885, and that there should be a "tendency to decrease rather than to increase in the "share which now is defrayed from the public "treasury." Then comes, further, this:—"The "Government of India recognises its responsibility "to provide so far as its finances permit, facilities for "the education of the people. But in educational, as "in all other matters, it is the policy of the Govern-"ment of India to avoid entering into competition "with private enterprise; it pioneers the way; but, "having shown the way, it recognises no responsibility "to do for the people what the people can and ought "to do for themselves. When, therefore, local effort "or private enterprise shows itself able and willing to "supply the educational wants of the people in any "locality, it is the policy of Government to retire from "the field of direct instruction and to help by reason-"able subventions of money the operations of indepen-"dent institutions. Under this policy it is the aim of "the Government also, wherever there is vitality of "private effort, to restrict official action to the main-"tenance of a few schools, in which the system of "instruction and discipline shall afford a standard for "the emulation of private or aided institutions in the "neighbourhood. In pursuance of this policy, the "expenditure from provincial revenues on Government "educational institutions should not ordinarily increase "in proportion to the total expenditure, but should, "rather, be a constantly diminishing quantity, pro-"vided that there is the assurance that the ground "abandoned by the Government shall be occupied by "local effort."

18,535. You see the last words "provided——"?—These inconvenient provisos are likely to be forgotten, and only the idea carried out in practice.

18,536. I think the proviso at the end is an essential part of the document, is it not? The Government will not diminish its contribution, *unless* it is assured that the place of that contribution will be taken by private funds. The whole paragraph is entirely in favour of local self-government, is it not?—Well, so far as this sort of expenditure is concerned, of course Government would throw the responsibilities on the Provincial Governments. I would mention one point. During the four or five years previous to the issue of this Resolution, in consequence of the orders issued by Lord Ripon in 1884, the educational expenditure had been increasing in a fairly satisfactory manner, but from 1890 it has been at a standstill. For the last five years there has been only an increase of Rx. 30,000, when in England you have gone from 5,000,000*l.* to 9,000,000*l.*

18,537. That is an increase in the Government expenditure?—Of Government expenditure.

18,538. But has the expenditure from local funds and other sources increased or not?—Oh yes, it has increased.

18,539. Then the purpose of the Government in that paragraph has been fulfilled?—That is not my point. Language such as is used in this Resolution would not have been held in the House of Commons by any responsible minister during the recent debates on the Education Bill, to the effect that Government were to recognise no responsibility to do for the people that which the people can and ought to do for themselves.

18,540. (*Chairman.*) Yesterday you were reducing the Army to the unit of the European soldier, and in support of your view, you were quoting an officer of repute, namely, the late Sir George Kellner; and I think he estimated according to your quotation from him, that seven native soldiers were financially the equivalent of three Europeans, did he not?—Yes.

18,541. I was questioning the value of that reduction to one unit, because various people will vary in the way they look at it; and in support of that my attention has been called to Sir George Kellner himself. In 1873, he said, "the soldier is the true unit of military expenditure," I am quoting his evidence taken before the Select Committee on East India Finance, "in order "to get that unit, I propose to take four native soldiers "as equivalent to one European soldier, financially, for "the purpose of comparison." That rather shakes the authority, does it not?—One European soldier equal to——?

18,542. "I propose to take four native soldiers as equivalent to one European soldier"?—Financially?

18,543. For financial purposes?—Is that so?

18,544. I am bringing this divergence before you in support of my remonstrance against these somewhat arbitrary reductions of different classes to one denomination?—I was not aware of this expression of opinion on the part of Sir George Kellner, who was Accountant-General in the Military Department for a long time.

18,545-6. I quite admit your justification in quoting him; I only wanted to point out to you that, in quoting

high officers, sometimes they take such various views of the same circumstances that it does not suffice to build important financial conclusions on their statements?—Yes; but we are not military experts. We can take our stand only upon what these experts say. I was not aware of this other expression of opinion on his part, else I should not have quoted him.

18,547. (*Sir William Wedderburn.*) There is a point on which it was suggested that you might be able to inform the Commission; it is with regard to the action of Lord Elgin in regard to a petition which was presented to him at Poona. It is stated that that petition was returned to the persons who presented it, for some purpose. Do you know for what purpose; can you tell us the circumstances of that petition?—Yes. I was one of the secretaries of the Poona Sarvajanik Sabha at the time when we proposed to present an address to his Lordship. It was an address of welcome, and in that we had, as was the usual practice, stated our grievances, as we had done in similar addresses to previous Viceroys, Lord Ripon and Lord Dufferin, when they were in Poona, and we had also drafted our address in the same manner. There were, I believe, four or five paragraphs in that draft which referred to Imperial grievances, Imperial expenditure, and railway policy, and things of that kind, and there were four or five paragraphs which were about local matters. In India, we generally send these drafts in advance to the persons to whom the addresses are to be presented, to enable these high persons to prepare their replies, and so we sent this in accordance with that practice to his Lordship about 10 or 12 days before the time. We, however, received the draft back with an intimation that his Lordship declined to hear anything about Imperial matters, that he was in Bombay, and he only wanted to hear about Bombay matters, and he wanted us, therefore, to take out the four or five paragraphs that referred to Imperial questions, otherwise he would not accept the address. Now, our point, with regard to Bombay grievances was this, that we had the Governor there; we could go to him when we wanted. There were questions not in the discretion of the Governor, in regard to which we had to go to the Government of India. The Viceroy comes once in a way to Poona, and a political body, like the Sabha, would naturally take advantage of his presence to press upon him their grievances in regard to the whole country, in which all were equally interested. We had done that before in the case of Lord Dufferin, and in the case of Lord Ripon; but, in this case, Lord Elgin told us that, if the paragraphs were not omitted, he would not receive the address; and, on the principle of half a loaf being better than no bread, we omitted the paragraphs.

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18,548. Can you state definitely what the last four or five paragraphs related to?—It is rather difficult to recall at this moment. There was, I believe, a paragraph about military expenditure, a paragraph about railway policy, a paragraph about the Jury Bill, which was at the time agitating the people. I cannot give all the points just now; but, if I had only a little time to consult newspapers, I could do so.

18,549. There was no objection raised to the form of the petition, on the score of the language not being respectful?—Absolutely none.

18,550. It was the substance of it that was objected to?—Yes.

18,551. You will, perhaps, not have so much personal knowledge of it—but are you aware that the same objection was raised in Madras by Lord Elgin?—I have read of it in the papers.

18,552. What was the result?—The Madras Mahajan Sabha took a firmer stand than we did, and they declined to present the address.

18,553. And the address was not presented?—The address was not presented. May I here volunteer information on a point connected with that? When Lord Dufferin came to Poona, there was also a little incident, but not exactly of this kind. The Public Service Commissioners had just been appointed by his Lordship, but the people in India were not satisfied with the constitution of the Commission. In our address we condemned the constitution of the Commission. We sent a draft of the address to his Lordship, and, although he did not raise any formal objection, an intimation was privately, and very tactfully, conveyed to us that, if our opposition was not quite so uncompromising, he would be able to make a statement on the subject, which otherwise he could not make. We modified our statement a little, and that satisfied him. But this was entirely private. Lord Ripon raised no objection to the address which was presented to him.

The witness withdrew.

(Adjourned.)

At the India Office, S.W.

FORTY-FIFTH DAY.

Thursday, 13th May, 1897.

PRESENT:

THE LORD WELBY, G.C.B. (CHAIRMAN, PRESIDING).

The Right Hon. LEONARD COURTNEY, M.P.
Sir WILLIAM WEDDERBURN, Bart., M.P.
Field-Marshal Sir DONALD STEWART, Bart, G.C.B., G.C.S.I.
Sir E. W. HAMILTON, K.C.B.
Sir RALPH KNOX, K.C.B.
Sir JAMES PEILE, K.C.S.I.
Sir ANDREW SCOBLE, K.C.S.I., Q.C., M.P.
Mr. G. L. RYDER, C.B.
Mr. T. R. BUCHANAN, M.P.
Mr. W. S. CAINE.
Mr. DADABHAI NAOROJI.
Mr. R. G. C. MOWBRAY.

Mr. COLIN G. CAMPBELL, *Secretary.*

Mr. G. SUBRAMANIA IYER, Editor of "The Hindu," Madras, called in and examined.

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18,554. (*Chairman.*) In what capacity, Mr. Iyer, do you come before the Commission?—As a Member of the Mahajana Sabha of Madras, a political Association representing Southern India.

18,555. Would you tell the Commission what posts you have held in India, or what special opportunities you have had of learning Indian opinion upon the questions which are before the Commission?—I have been a journalist for

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the last 18 years, editor of "The Hindu" newspaper, and in that capacity I have had to study different questions bearing on the politics of India, and discuss them in my newspaper.

18,556–8. Your special knowledge is of the Presidency of Madras, is it not?—Yes.

18,559. What are the chief points in the administration and management of expenditure in India, which, in your opinion, deserve consideration?—These are the points. There are no provisions in the constitution of the Government of India to protect the taxpayers sufficiently against unnecessary and excessive growth of expenditure. What exist at present are inadequate or ineffective. The debate in the House of Commons, the Secretary of State and his Council, Section 55 of the Government of India Act, the Government of India and its Legislative Council, the system of provincial finance, are all parts of the machinery which have more or less failed to impose an adequate check on the growth of expenditure.

18,560. You say that existing checks have more or less failed to impose adequate check on the growth of expenditure?—Yes.

18,561. Does not that assume that the expenditure was not necessary?—Yes.

18,562. A point which requires proof?—Yes.

18,563. Will you develop your argument as to inadequacy of check?—Yes. In consequence, the expenditure of the Government of India in its military department has grown considerably within the last 12 years, and there is no certainty that in the coming years this expenditure will not grow. A forward military policy has led to constant frontier expeditions,* which have been very costly and have necessarily crippled the resources of the Empire.

18,564. You speak of the increase in the military expenditure; I think you have some figures in proof of that?—Yes.

18,565. Would you give them to us?—

		Rx.
Net expenditure, including exchange	1885–6	19,133,907
	1894–5	23,303,761
Net expenditure, excluding exchange	1885–6	18,692,977
	1894–5	18,830,900

18,566. Do not your figures show that, excluding exchange, military expenditure has not increased very much?—Yes, they show that.

18,567. Therefore, as far as these figures are concerned, they would appear to show that the great increase in the militar expenditure is due to exchange?—Yes.

The expenditure in the civil departments has also grown, as follows:—

Civil Departments, (1884–5 and 1894–5):	Rx.
The total net increase is	5,517,276
Of which Imperial share is	1,951,078
Provincial share	3,566,198

A chief feature of this growth is that the expenditure on services which are of direct benefit to the people, such as Education, Post Office, Medical Service, Police, Roads, &c., show but a moderate increase. These increases have led to fresh taxation amounting to more than seven crores, not including the increase in the assessments of land revenue.†

18,568. May not part of that increase of revenue arise from increase of consumption?—In some respects it does, my Lord.

18,569. And, again, have not revisions of the land revenue been a recognised rule of the Indian financial system?—Yes.

18,570. Do you know what share of the produce the Government takes; is it not moderate as compared with former times?—Yes, in theory it is supposed to be moderate, but in practice it is not moderate.

18,571. You have not the figures before you to show what the share of produce taken is?—No, I was under the impression that it was outside the reference of this Commission.

18,572. Quite so?—Owing to excessive expenditure, the Government has been obliged to enhance the burden on the cultivating classes. The assessment of land revenue is being increased at each revision, which it is now proposed, at all events in my province, to undertake and carry out at shorter intervals than has been the case till now. The duration of assessment used to be till now 30 years. But Lord Wenlock's Government proposed that it should be reduced to 20 years.

18,573. (*Sir James Peile.*) Do you know what the result of that proposal has been?—Yes; in reply to a question which was put in the Legislative Council of Madras very recently, all that the Government said was that each case would have to be decided upon its merits, that no definite reply could be given.

18,574. Was that the answer given by Lord Wenlock?—In the Legislative Council the reply was given by the Honourable Mr. Bliss, not by Lord Wenlock, if I remember correctly.

18,575. Was the question about Madras generally, or was it about Tanjore?—I think it was about Madras Presidency generally; I speak from memory, and am subject to correction.

18,576. But you are not aware of what the decision of the Secretary of State in Council is?—No.

18,577. You should wait for it before making up your mind?—In the Legislative Council of Madras the members put the question frequently. I do not think the reply of the Secretary of State in Council has been communicated.

18,578. They should keep on asking?—I think they will.

Years of deficit in the financial estimates are frequent, and even the surplus that is now and again exhibited is not a real surplus, being in many cases arrived at by cutting down grants in one direction, and suspending the normal growth of expenditure in others, or by borrowing, or by fresh taxation. The debt of the Government has increased, especially the sterling debt.

18,579. (*Chairman.*) I see you have prepared a note of surpluses and deficits running over a great number of years?—Yes.

18,580. Is your statement on the question of deficit based upon those figures?—Yes.

18,581. I observe that they run over a great number of years, with the result of a net deficit between 1849–50 and 1894–95 of Rx. 37,000,000?—Total net deficit, Rx. 2,839,202.

18,582. Rx. 37·2 million?—Taking the latest figures, my Lord, the net deficit is Rx. 2,839,202.

18,583. Ah, but you append a note showing the result of the finance between 1849–50 and 1894–5?—Oh, I beg your pardon; yes.

18,584. Showing a net deficit over the whole of that time of Rx. 37·2 millions?—Yes.

18,585. I will call your attention to this point. Is it not the case that the Mutiny in itself caused a deficit of more than that amount?—Yes.

18,586. And therefore the deficit to which you call attention is really the deficit of the Mutiny?—Yes, to some extent it accounts for it.

18,587. Had it not been for the Mutiny there would have been a surplus?—No, if your Lordship will turn your attention to the other figures I have given from 1884–5, including the latest figures for 1897–8, the total net deficit during the last 14 years comes to Rx. 2,839,202.

18,588. Quite so, that refers to a different period; your note refers to the long period from 1849–50 up to 1894–5?—Yes.

18,589. I only want to establish, with your consent, that the large deficit which you show over that period would really be covered by the deficit which arose upon the Mutiny?—I daresay.

* Between 1884–5 and 1894–5, excluding charges on account of Upper Burma, the total cost of special operations was no less than Rx. 4,925,877, (p. 84. vol. II.). If the estimate in 1895–6 of Rx. 318–900 and Rx. 1,750,000 for the Chitral Expedition be added, the accumulated cost in 12 years would be Rx. 7,153,696.

†

Year.	Customs.	Assessed Taxes.	Salt.	Provincial Rates.
	Rx.	Rx.	Rx.	Rx.
1884–5	1,029,943	511,828	6,507,236	2,791,461
1894–5	3,854,955	1,808,060	8,665,749	3,541,154
Increase	2,825,012	1,296,232	2,158,513	749,693
Total increase Rx. 7,029,450.				

18,590. That does not touch the point, to which you have just referred, of the deficit in the second period?—No.

18,591. You say, I think, that even the surplus that is now and again exhibited is not a real surplus. I do not quite understand what you mean by a real surplus. A surplus is the excess of income over expenditure. If there is such an excess, it is a real surplus, is it not?—What I meant was that the surplus is not due to any increased payments by the taxpayers resulting from their increased prosperity; it is merely an adjustment of accounts, or fresh loans, or fresh taxation, that is what I mean.

18,592. Fresh loans would not enter into the balance of income over expenditure, would they?—In some years loans have been utilised for the purposes of administration.

18,593. That is your point, that loans have been utilised for the purposes of administration?—Yes.

18,594. Services that you would maintain, but which ought to have been paid out of income, have been defrayed out of loans?—In some years.

18,595. Can you give us an instance?—Yes. In the financial statement for 1893-4, for instance, a loan of Rx. 3,000,000 was raised, and it was said that that amount, with other amounts, would be utilised for the public works, for the Secretary of State's Bills, and for other ordinary wants of Government.

18,596. For other ordinary purposes of Government?—Yes.

18,597. And you consider that, so far as the loan met the Secretary of State's bills and other ordinary expenses of Government, that was a meeting of the ordinary expenditure out of loans; that is your contention?—Yes.

18,598. (*Mr. Courtney.*) Was it pretended that a surplus was established by means of that loan?—At all events, it was utilised to decrease the deficit.

18,599. (*Chairman.*) But again, you say that surpluses are in many cases arrived at by cutting down grants in one direction or another?—Yes.

18,600. But a surplus produced by reduction of expenditure is a real surplus, is it not? Are you not entering there upon a different question, namely, whether the reduction of expenditure was wise? If the reduction of expenditure produced a surplus, that was a real surplus, was it not?—That reduction of expenditure imposed fresh obligations, my Lord. They have to meet that deficit in some subsequent years; I had in my mind the Famine Grant for instance. They reduced it in one year, but that does not relieve Government of the obligation; they have to incur the same, or increased, expenditure in subsequent years.

18,601. You do not mean by that expression to deprecate a reduction of expenditure?—Oh yes, I do in regard to this instance, especially in regard to Famine Grant.

18,602. But in times of financial pressure, if equilibrium is to be maintained between income and expenditure, there are only two methods of effecting that equilibrium?—Certainly.

18,603. Either cutting down expenditure or increasing taxation?—Certainly.

18,604. In such a case as that, I presume you do not go so far as to deprecate a reduction of expenditure?—No, not in regard to that special instance; but on the whole the policy redounds to the disadvantage of the taxpayer, that is what I mean.

18,605. Will you proceed?—The debt of the Government has increased, especially the sterling debt. The present famine has made the Secretary of State propose a sterling loan of 3½ millions, besides the 4 million Rx. which the Government of India proposes to raise. The fact that no sinking fund can be provided and that the amount of interest payable every year will necessarily rise, ought to weigh against an endless accumulation of debts. Unlike other countries, the indebtedness of India involves payment of large amounts to persons who are not natives of the country, and the foreign payments constitute a serious economical and political evil. The recent conversions have reduced the interest on the rupee debt; but this cannot be had recourse to frequently; it will shake public confidence in Government investments. I understood Mr. Stephen Jacob to say in his evidence that there has been a saving of 1 per cent. or 2,200,000*l.* in interest, and though, so far as it concerns the taxpayer, this saving rather more than counterbalances the increased payment due to the fall in exchange, still in consequence of the fall in exchange India cannot enjoy the benefit of this saving. Yet, in spite of these discouraging circumstances, railway construction is being pushed forward with great energy and the speed of the progress is such that it has caused general disapproval, which was given expression to last year and this year by certain non-official members of the Viceroy's Legislative Council. The famine insurance fund, which was created for the special purpose of undertaking measures to protect the people against famine, has not been provided for every year;* and during the last three years it has been reduced permanently to one million Rx. from one and a half millions which it was in theory. Sir James Westland's explanation is that all the important protective works have been carried out, and that there is no longer need for the same amount of one and a half millions being spent. If that were the case, either taxation should be remitted or there should be more money spent for the benefit of the poorer classes.

18,606. You speak of the increase of the debt. On what occasion has India borrowed in the interval of which you speak for other than reproductive purposes?—I can only speak from memory, my Lord; it borrowed for famine.

18,607. Within the period of which you speak? I was under the impression that you were speaking generally of the period since 1884-5?—The loan I speak of was borrowed before that time.

18,608. Yes?—In this year they are going to borrow money not exactly for reproductive purposes.

18,609. For the famine?—For the famine.

18,610. Quite so, but are there any other occasions? These are very serious occasions, in which it is necessary to incur a large extraordinary expenditure, which could not reasonably be expected to be defrayed from ordinary income?—I will just refer to another instance in 1893-4, when they borrowed, I think, three millions or so to meet, among other charges, ordinary expenses.

18,611. (*Sir James Peile.*) Do you know why they raised their loan in sterling in that year?—In 1893-4, because they had no money to meet their wants.

18,612. Are you sure?—I think I am sure.

18,613. Was it not at the time that the Mints were closed?—Yes.

18,614. And was not an enormous amount of rupees kept in the Treasuries in India?—Yes. I am referring to loans raised in India. A loan of three millions was to be raised in India.

18,615. But you understand that rupees were kept in the Treasuries in India for a certain financial purpose. Instead of that, money was borrowed at home, was not that so?—I beg your pardon. I am referring to a loan that was raised in India.

18,616. We were speaking of sterling borrowing, were we not?—Yes.

18,617. And you said there was sterling borrowing at home for other purposes than for public works and the like. I asked you whether there was not a reason for borrowing in sterling in the year 1893-4?—Oh yes, in that year there was, of course.

18,618. (*Chairman.*) You say that the indebtedness of India, unlike that of other countries, involves payments to aliens. You are aware that almost every country, except perhaps three or four leading European countries, whenever they have occasion to borrow, place the loan in foreign markets—take such a case as Australia?—Yes.

18,619. Australia is constantly borrowing, and, I think you may say, always in the London market?—Yes.

18,620. She is borrowing usually for reproductive purposes, and it is not generally held that that indebtedness is bad economy? I call your attention to the point, because of your making a distinction between India and other countries which I think is hardly tenable, is it?—In addition to other peculiarities of the economical condition of India, this aggravates the evil. Constantly money is drained out of the country for other purposes, and, added to that, this flow of money into a foreign country aggravates the evil.

18,621. I quite understand your argument upon that point, but it is the phrase that you use, "unlike other countries." I would put before you that it is not unlike other countries. There is no distinction between India and the countries that I have mentioned in that respect?—Yes.

18,622. You say that, in spite of the discouraging circumstances, railway construction has been pushed forward with great energy and has given cause to general depression?—Yes.

* *See* Q. 10,644, Vol. I. p. 314. The average, including the year 1896-7, is Rx. 1,165,261.

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18,623. Generally speaking, are you opposed to the construction of railways?—No.

18,624. Your contention is that the construction of railways ought to be moderated?—Yes.

18,625. In accordance with the resources of the people?—In accordance with the resources of the people.

18,626. In accordance with the ability of the Indian Government to meet the expense out of income?—Yes, that is what I mean.

18,627. (*Mr. Courtney.*) Out of income?—It might be out of borrowed money, but only, I contend, that the expenditure should be more moderate.

18,628. (*Chairman.*) But you do not extend your criticism to this, that railways ought to be constructed out of income?—No, no.

18,629. Within moderate limits, you would construct them out of borrowed capital?—Yes.

18,630. Your criticism is that expenditure has been pushed forward at too fast a rate for India?—That is the point. Especially with regard to military railways, I would not object to loans being raised for them and the railways constructed, but, as regards ordinary railways of a commercial character, I certainly think the progress might be more moderate.

18,631. You speak of a reduction that has taken place in the amount which, you think, was promised to be set aside for the Famine Insurance Fund. Do you consider that the Government should increase Indian expenditure now by Rx. 500,000 a year for the Famine Fund, even though the Government itself does not think that expenditure necessary?—I cannot say that it can do so this year especially, but I am speaking in a prospective aspect. The policy of Government in the past as regards that fund has often been wanting in regard to obligations it has incurred on behalf of the people. Perhaps in this particular year it would not be justified in spending a large amount; but I daresay in subsequent years when Government is in more prosperous circumstances, it is certainly bound to spend more money for that special purpose.

18,632. That is your view?—Yes.

18,633. It is a perfectly fair view to put forward; but, if the Government itself thinks that a million a year is a sufficient sum to set aside against famine, do you think that they would be justified in making that fund Rx. 1,500,000, thus imposing Rx. 500,000 on India which they do not think necessary?—It might be spent for other purposes concerning the interests of the poorer classes, for whose protection the Famine Fund was raised.

18,634. Would you describe the people of India as an agricultural people?—Yes.

18,635. (*Sir Andrew Scoble.*) Do you know how much of the Famine Fund has been applied since its establishment to the reduction of the public debt?—I think about Rx. 5,500,000.

18,636. Do you know what the extra charge expected to be thrown upon the Government by the present famine amounts to?—Last year it was about six crores; I think the revised estimates were about Rx. 6,000,000.

18,637. Then the reduction of debt and the increased expenditure on account of the present famine just about balance one another, do they not?—Yes

18,638. (*Chairman.*) Will you go on?—In the face of an almost crushing embarrassment, the Government of India, in 1893, decided on giving compensation allowance to its European employes. In that year the amount was 63 lakhs odd, and in subsequent years it amounted to more than a crore. The Government was unmindful of the fact that its European employes were not legally entitled to that compensation, and that the taxpayers, from whose pocket the amount of the compensation must come, were affected far more injuriously in several ways than these high-paid officials. Any consideration from the State was due to the weaker party. There is a great drain of money from India to England by the excessive employment of foreign agency, not only in the various branches of the public service, but also in the administration of railways. Every foreign enterprise in the country is a source of drain. This drain mainly, along with other causes, is steadily impoverishing large classes of people, and bringing to the surface the most serious problem of a large pauper population. I shall make only one quotation from a Government Resolution in 1888.

18,639. May I ask what Resolution that was, on what occasion was it issued?—Lord Dufferin wanted to have an inquiry made into the condition of the agricultural classes in pursuance of the policy recommended by the Famine Commission, I believe, and this Resolution summarised the result of that inquiry. This is the quotation:—"It may be briefly stated that, over the greater "part of India, the condition of the lower classes of the "agricultural population is not one which need cause any "great anxiety at present. The circumstances of these "classes are such as to secure in normal seasons physical "efficiency for the performance of agricultural work, "though in the tracts classed as 'insecure' there is always "a risk, in the event of the failure of the rains, that the "more indigent classes of the people may be overtaken by "distress in various degrees and forms, and be deprived of "wages ordinarily provided by the agricultural operations "on which in normal seasons they depend for their "livelihood."

18,640. I think your quotation points, does it not, to a difficulty in the future, namely, that the population may become too numerous for the soil?—I do not follow your Lordship.

18,641. You bring forward this quotation, I think, in proof of the distressed condition of the agricultural population?—Yes.

18,642. Well, I say, does not your quotation point to a difficulty of which one occasionally hears, namely, the risk that the agricultural population of India may become too numerous for the soil to support?—It may become so. I suppose the agricultural population increases in all parts of the world.

18,643. Your quotation appeared to me to be made for the purpose of bringing before us the condition of the agricultural population; and the constant increase of the agricultural population adds to the danger?—The point I want to make out is this. Even in normal seasons their standard is only just what would give them physical efficiency for the performance of agricultural work, and these normal seasons are few and far between, and very frequently abnormal seasons crop up, and people are immediately upset at the first appearance of an abnormal season; and therefore I contend the policy of the Government must be to give those people who are subject to such frequent risks a fair margin for such risks, taking normal seasons and abnormal seasons together.

18,644. That is to say, at present there is a difficulty in providing a comfortable subsistence for the people from the soil?—No difficulty at all; if only the Government policy to the cultivator in regard to assessment and general measures of administration were more moderate and more considerate to the people, I believe the populations of India would be as well off as the population of any other part of the world.

18,645. Listen to the words you quoted: "The condition "of the lower class of the agricultural population is not "one which need cause any great anxiety at present. The "circumstances of these classes are such as to secure in "abnormal seasons physical efficiency for the performance "of agricultural work, though in the tracts classed as "'insecure' there is always a risk in the event of a failure "of the rains that the more indigent class of the people "may be overtaken by distress." When you quote these words, do you not mean that there is a difficulty in keeping the present agricultural population in a comfortable position?—The difficulty arises from the policy of the Government, that is what I want to make out.

18,646. What has the Government to do with it?—The Government burdens them with additional taxation every time it revises the assessment, and in regard to other matters also the general burden of taxation is so heavy that the mass of people have hardly any margin for their livelihood in times of difficulty.

18,647. (*Mr. Naoroji.*) And I think you said that the drain caused by the political condition of India is a great cause of this want?—Certainly it is one of the causes of this anxious condition of the agricultural classes.

18,648. (*Sir Ralph Knox.*) Notwithstanding this, the population increases very rapidly, does it not?—I cannot say it increases very rapidly; my impression is that the population of India does not increase more rapidly than that of certain other countries.

18,649. (*Sir Andrew Scoble.*) Take the case of Behar, is not the growth of the population there enormous?—I do not know. I cannot say what the rate of growth is in that particular province, but my impression is—I am speaking subject to correction—that on the whole the population of India does not increase to any particular extent more

rapidly than the population of other countries. At all events, there are some countries in the world where the population increases as rapidly as the population of India, yet the condition of the agricultural population there is not so bad as the population of India.

18,650. Can you give an instance?—An instance of what?

18,651. Of a country where the population increases as rapidly as in India and where the condition of the people is better?—No, I am sorry that I cannot give an instance off hand.

18,652. (*Chairman.*) But I think it is evident on the population returns before us that the population has increased and is increasing?—Oh, yes.

18,653. And, if you take an interval of 20 or 30 years, the increase is very large?—Oh, yes.

18,654. Do you think it an important thing to endeavour to find fresh employment and open new classes of industry to the people of India?—Certainly; that would give them great relief.

18,655. That would be one means, would it not, of meeting the objects which the Government had in view when they issued this Resolution which you have been quoting?—Very likely.

18,656. (*Sir Andrew Scoble.*) Is there not a strong disinclination on the part of the natives of India in many districts to leave their own homes and try other parts of India where there is more room for them?—There is, but I think it is becoming less marked nowadays.

18,657. It is diminishing, is it not?—It is diminishing.

18,658. Now that facilities of travel have increased by means of railways, people travel more, and have not the same objection to leaving their native villages?—No. They are even willing to go abroad outside India for a livelihood now.

18,659. (*Sir Ralph Knox.*) In that way railways have been a great educator of the people?—Certainly. Still, with all the advantages, there is a limit to the expenditure on railways.

18,660. (*Chairman.*) But you would advocate the opening of new industries as far as possible?—Certainly.

18,661. Well, have you ever considered how that can be done?—Yes, it can be done in several ways, my Lord. People themselves may show more enterprise, and the Government may help those enterprises in certain ways.

18,662. But, if Government interfered to encourage those industries, capital would be necessary, would it not?—Yes.

18,663. Therefore, the introduction of foreign capital could not be such an evil as, I should gather from your statements, you think it?—All these cases I want to put together, my Lord. Each in itself separately may not be such a very serious evil; but still, looking to the special conditions of India, money is ever drawn out of the country by the necessary employment of foreign agency to a certain extent. Every foreign enterprise unfortunately is exercised to the detriment of the people. In certain aspects foreign enterprises are to the good of the people; they employ large classes of people, no doubt.

18,664. But you speak of the people of India being bled. Let me put such a case as this; supposing by the introduction of capital a new industry is opened and profitable employment is given to the people. Do you think that the interest upon that capital which is doing benefit to the people of India, can be fairly described as bleeding the country?—I would not look at it in that way. I would take the whole together over a series of years. In one year, or in a certain locality, those things may do good; but, when a large amount of capital is invested in the country, the number of other persons employed in the country feed themselves upon the proceeds and the profits of the industry, and they carry away a large proportion of their earnings; and over a long series of years they cripple the energy of the people, the resources of the people, and render them more and more unfit for independent enterprise; that is what I want to urge.

18,665. When you speak of the country being bled by this drain, your words appear too sweeping, because the only conclusion one could draw from them is that, if the interest on the whole of this capital which has been supplied by foreign capitalists is bleeding the country, it has been all wasted money?—I did not apply that expression to the enterprise specially, my Lord; I had in my mind more especially the official agency; this also operates in the same direction.

18,666. But you would admit that a certain qualification must be made in that statement, to whatever extent it can be shown that the foreign capital introduced has been opening up the country and giving means of fresh employment? So far, may I take it, you would somewhat modify that very strong statement that the foreign drain bleeds the country?—So far as that is concerned, I would qualify it.

18,667–8. (*Sir Ralph Knox.*) But is your statement practically much more than this, that it would be much better for India if the capital were raised in India?—Certainly.

18,669. You would like such a condition as that, that the capital should be raised in India?—In India, as far as possible.

18,670–1. Do you think it is possible to raise in India for this purpose more capital than has been raised?—May I ask what you have in your mind especially?

18,672–3. Is it to be assumed that there is no capital in the possession of Native Indians of all classes to be invested in this way?—In the industries, you mean?

18,674. Well, for all these purposes; is there no capital in the hands of the Indian?—There is capital, of course.

18,675. Is it invested, however, for these purposes?—To some extent native capital is invested, but the great fact is that hardly any capital is allowed to grow in the country.

18,676. But you said just now that there was no capital in the country?—There is some little capital, of course.

18,677. But it is not invested to any very large extent for these purposes?—So much of it as is available for these purposes, I daresay, is invested.

18,678. (*Chairman.*) But is it not the case that people possessing capital in India can lend out their money in India at much better rates of interest than that which the Government gives; and that, therefore, they are not willing to invest in a security that gives them a smaller return than that which they can obtain in the country?—I am not sure whether that applies generally in regard to small capitalists that they are unwilling to invest in these enterprises, because they do not yield any large interest; but in big cities such as Bombay, Madras, and Calcutta, I daresay, there are capitalists who are willing to invest their money in railways and other enterprises, and for small interest.

18,679. As a matter of fact, the Indian capitalist is not a great lender to the Government, is he?—No, I do not believe he is.

18,680. (*Sir Andrew Scoble.*) The introduction of foreign capital has very much reduced the current rate of interest throughout India, has it not, within your experience?—I am not sure that the current rate of interest has been reduced at all. In out of the way places, I do not think it has been reduced.

18,681. What is the current rate of interest in Madras now among the natives?—It depends on the amounts lent, they lend one, two, five, ten rupees, and they get about six pies for every rupee.

18,682. That is how much per cent.?—Six pies would mean half an anna in 16 annas, that is about 3 per cent. a month, I think.

18,683. Did you say 3 per cent. a month?—Yes.

18,684. That is 36 per cent. a year; that is pretty good, is it not?—They get six pies for every rupee lent, that is, 36 per cent. per annum.

18,685. No doubt then they do not care to put their moneys into railways and spinning industries, which only yield them about five or six per cent. per annum?—These people are small capitalists who lend small sums of money in ordinary ways, they do not care for investments of other kinds; but there are capitalists in big cities, as I was just saying, who are willing, and who do invest their capital, so far as I am aware, in railways and other enterprises.

18,686. There have been two cases in Bombay lately, I think, in which small railways have been built, mainly with native capital, the Ahmedabad-Parantij Railway and the Tapti Valley Railway?—I am aware of one in Calcutta which is said to be mainly the enterprise of natives.

18,687. Yes, is that the Tarkessar?—Yes.

18,688. That is not a peculiarly native enterprise, is it? It is local capital, European as well as native?—I do not know. It used to be said that it was one of those railways which were constructed out of capital raised in the locality.

18,689. Raised in India?—Yes.

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18,690. But till lately, there has been no great development of enterprise in India by purely native capital, has there?—No, for the simple reason that there is no capital in the country, very little capital.

18,691. Is it not for the simple reason that they can get a higher rate of interest by lending their money on their own terms among their own people?—I do not believe that applies to the big capitalists. As a matter of fact, some have invested their money; more has not been invested, because there is no more money.

18,692. Take the great native capitalists, the great Shroffs, is not their business mostly in regard to transactions in *hundis*, native bills of exchange?—Yes.

18,693. Do you know what the average rate of interest upon these transactions is?—In Madras, they get 24 per cent. a month sometimes.

18,694. That is better than the return they would receive from an investment of their capital in railways or in spinning mills?—It is.

18,695. (*Mr. Naoroji.*) Is not most of this capital coming from the Native States? At least it is so in Bombay, I do not know how it is in Madras?—I am not sure, I cannot say where most of it comes from, because I am not aware. Some portion at all events comes from Native States.

18,696. Is not this high interest owing to the want of capital, because there is scarcity of capital?—Certainly, that is what I am driving at, what I want to make out.

18,697. In British India, there is no investable capital?—There is not.

18,698. (*Sir Andrew Scoble.*) Surely you know the great firm of Luckmichund of Muttra, do you not?—No, I do not.

18,699. That is one of the biggest firms of India that deals in *hundi* business?—Yes.

18,700. (*Mr. Naoroji.*) There are very few in British India; the Marwari and Kathiawari capitalists are all from Native States, are they not?—Perhaps; that I do not know.

18,701. (*Sir Andrew Scoble.*) Yes. The heads of the firms live in Native States, but their *gomastas* come into British India and carry on business there?—Is that so?

18,702. Yes?—I cannot say, I have not given my attention to the question whether capitalists come from Native States or not; but this I say, there is very little capital in the country invested in those enterprises, and that is due to the fact that little money is allowed to remain in the country; for several reasons money flows out of the country, and people become poorer and poorer; therefore there is not much capital left for investment in these objects.

18,703. Have you considered at all the amount of gold and silver bullion imported into India in late years?—Yes. I do not believe that affects the question in any way at all.

18,704. What becomes of it?—I daresay most of it goes into Native States for ornaments.

18,705. And only into Native States for ornaments?—Much of it.

18,706. Do you know any part of India in which there is not a large proportion of the population who wear silver ornaments or gold ornaments, in one form or another?—I have heard this argument advanced frequently, but nobody has calculated the value of those ornaments; as a matter of fact, even the poorest classes wear some ornament, but that ornament is worn more as an indication of their married state in many cases; they look upon a gold and silver ornament as an indication of their married condition; they would not part with it for any consideration.

18,707. That condition applies, does it not, to British India as well as to Native States?—I have not much experience of Native States, because, in Madras, the only Native State is Travancore.

18,708. You do not mean to say that the possession of silver and gold ornaments is confined to the inhabitants of Native States?—What I say is that the possession of silver and gold ornaments does not indicate prosperity; does not indicate possession of capital.

(*Sir James Peile.*) But it is a resource in case of famine, it is a resource in the last resort; when it comes to the point of starvation and death, they will part with their jewels.

18,709. (*Sir Andrew Scoble.*) But the possession of these ornaments is really a savings bank for the native agricultural population throughout India, is it not?—No, I would not call that a savings bank. A savings bank is an institution into which people put what they can spare.

18,710. (*Sir James Peile.*) Are you aware that in the famine of 1876-78 ornaments which were turned into Rx. 4,500,000, were sent down to the Mints by the people from the famine districts?—Yes, I have heard of it.

18,711. Well, that is a resource, is it not?—Yes, but only in the sense in which, if your Lordship will excuse my saying so, the people in this country will part with their ties and collars when they are put to an extreme; you would not call that a resource; there they do it when they are driven to a most desperate state.

18,712. (*Chairman.*) The tie or collar of an indigent man here could hardly be put in comparison with an ornament of gold or silver worn by a native of India?—I referred to that to show that the ornament becomes part and parcel of the native's attire.

18,713. (*Sir Andrew Scoble.*) You do not put a silver ornament on the same footing as a linen collar, do you?—In some cases I would do so. It is as much a necessity as the wedding ring is in this country; they look upon it as part and parcel of their personal equipment.

18,714. (*Mr. Naoroji.*) Is not that amount of gold and silver quite small compared with the immense population over which it is distributed?—Very little.

18,715. And individually it comes to a very small amount?—Very little. It is a few grains. Sir James Westland stated that it would only amount to a few grains of silver apiece, if it were divided among the population of India.

18,716. (*Sir James Peile.*) Do you ascribe the asserted decline in agricultural prosperity to the increase of the land revenue assessment on revision?—That is one of the causes; I have mentioned it as one of the causes for their depressed state.

18,717. You are interested in the Tanjore district, are you not?—Yes, I am.

18,718. Would you say that in the Tanjore district the increase of the assessment has affected the prosperity of the agricultural classes?—Yes, certainly, it has affected them materially.

18,719. The last settlement, in fact the one still in existence, I think, was made in 1859?—No, they revised it very recently, two or three years ago.

18,720. Exactly, that has just been introduced; has it been introduced?—Yes, it has been; it is in operation now.

18,721. The previous settlement was in 1859?—I am not aware. I do not know.

18,722. Was it not notoriously an extremely light assessment, that in 1859?—So the Government said.

18,723. You have not studied it?—No.

18,724. Now, do you know what the increase upon revision was? How much per cent.?—Yes, including the cess, I think it is 15 lakhs, Rx. 150,000.

18,725. I mean what percentage on the former assessment?—I cannot say. I suppose it is 30 or 35 per cent.

18,726. I will tell you, if you like; it is 32 per cent.?—Yes, 32 per cent.

18,727. Over the previous assessment; can you tell us what percentage on the gross produce the previous assessment was, that of 1859?—No, I cannot say.

18,728. Are you aware that the Famine Commission worked out the incidence of the assessment on the gross produce, and brought it out at an average of 7 per cent.?—Yes.

18,729. Now, supposing that to be the case in Tanjore, if you added 32 per cent. you would get up to about 10 per cent. of the gross produce, would you not?—Yes.

18,730. Are you aware that in the examination of Tanjore for the purpose of this revision, it was ascertained that the prices of produce had risen more than 100 per cent. during the time of the settlement?—All I can say is that the last revision has placed an addition of 35 per cent.; and this assessment has been so unequal, and done in such a haphazard fashion, that people have now to pay, after the revision, about 50 per cent. more—cent. per cent. more in some cases.

18,731. (*Mr. Naoroji.*) I understood you to say that, as the question of revenue and assessment, in all its departments, does not come within the reference, therefore you did not particularly prepare yourself for it?—That was my impression; otherwise I should have come with more facts

on that question. I myself consider it a very important question; but, as I understood it was not within the reference to the Commission, I did not come prepared with facts.

18,732. (*Chairman.*) That, no doubt, is the case. We desire to give a certain amount of latitude to witnesses, in order that they may express their views freely; but of course, if you do raise the question, you must be prepared for some questions being put to you upon it?—Yes.

18,733. (*Sir William Wedderburn.*) With regard to the question of over-population in India, is it not the case that, if the cultivator were able to employ capital for irrigation and manure, the land could bear a very much larger population than it does at present?—Certainly. He is not able to do so under present circumstances.

18,734. You attribute that to faults in the administration, owing to which an industrious and frugal population has not an opportunity of agricultural enterprise?—Yes, that is what I meant to say.

18,735-6. And therefore the population at present is too large for the land, because the land does not get fair play?—Yes.

18,737. (*Mr. Mowbray.*) When you say that he has not got an opportunity, you mean that he has not got the capital? You do not mean that the Government in any way puts an obstacle in the way of his employing any capital which he may have in hand?—What I mean to say is, the Government takes away the margin which the ryot has over the requirements of his livelihood. He is not allowed to have any surplus money in his pocket to improve the land; and, further, what improvements he effects in the land are swept away in the next revision. This uncertainty has prevented many a well-to-do man investing any money in the cultivation and improvement of the land.

18,738. Would you say, on the figures Sir James Peile put before you, that the whole improvement had been swept away?—I do not say the whole improvement.

18,739. I so understood you?—A large portion, a substantial portion of the improvement.

18,740. (*Sir Ralph Knox.*) Does the cultivator carry on his business with any capital at all?—In many cases without any capital; the poorest class of people have hardly any capital.

18,741. Yes, but is it not necessary to have some capital in order to carry on the business?—Well, in many cases he has got a few head of cattle and a plough, that is the only capital he has.

18,742. He has not to borrow?—He has to borrow whenever he is driven to a strait; but he borrows more for his livelihood than for his cultivation.

18,743. The cultivator is generally a borrower, is he?—He is.

18,744. From whom does he borrow?—From the money-lenders.

18,745. The money lender, then, has capital?—Yes, he has.

18,746. (*Mr. Naoròji.*) With regard to the increase in population, are you aware that the percentage of increase in this country, in England, is greater than the percentage of increase in India?—That was my impression when I first mentioned that fact that in other countries population rose, at all events, as quickly as the population in India.

18,747. (*Chairman.*) You speak of the heavy taxation of the cultivator. Have you at all worked out what the charge on the Indian cultivator is—what taxes he pays?—I am sorry I have not worked out the figures exactly.

18,748. But, generally speaking, you would know what taxes he pays?—He pays the salt tax; he pays several duties for forest produce; if he wants to drink a little toddy, he pays a duty.

18,749. For forest produce?—Yes.

18,750. But, surely, that is a payment for produce obtained?—He used to get it all gratis formerly.

18,751. (*Sir James Peile.*) He helped himself to it from a Government forest?—Yes.

18,752. (*Chairman.*) Is it not the case that forest administration was undertaken merely for the benefit of all India to prevent the destruction of the forests, which I understand was in very fast progress, when they were left unattended?—I daresay, in the long run, it may be good to the people in the way of supplying them with manure, material, and firewood, and so forth; but the produce which they used to get for nothing they have to pay for now; especially for the grazing of their cattle they have to pay, which they used to get without payment formerly. In all these ways this forest administration has added to the difficulties of the village people.

18,753. Taking the salt duty, can you say what the amount of the duty is now compared, we will say, with 30 years ago? Is it less or greater?—I think it is greater.

18,754. (*Sir James Peile.*) Is it not less in Bengal?—I am not aware of the state of things in Bengal. In Madras and Bombay it is now 2 rupees 8 annas per maund. And another fact is, people used to get their salt for nothing; they used to go to some brackish place, and melt the earth and get the salt out of it.

18,755. It was very bad for them, was it not?—Well, but they did not pay anything for it; now they have to pay for it.

18,756. (*Chairman.*) And were these brackish soils universally at hand, so that they could supply the whole population of India?—A large part of the population, my Lord; and in the grazing of the cattle they used to give a little salt to the cattle. That they got for nothing; now they have to purchase it.

18,757. (*Sir James Peile.*) Were they not largely supplied by Brinjaris, who carried the salt in sacks on donkeys?—I have not seen that in my part; it is not so in Madras. Every pinch of salt they get they have to buy.

18,758. That would be on the coast of Madras, but not inland; you would not get any natural salt on the Neilgherries?—No salt is given for nothing now, that I can say.

18,759. (*Sir William Wedderburn.*) The amount of the duty for one anna's worth of salt according to the cost of production, is about 20 annas. I think the amount of the duty is about 20 times the cost of the salt, is it not?—Yes, I think so; I think it was about 2,000 per cent.

18,760. (*Sir James Peile.*) Do you know what a pound of salt costs in India on the average?—I do not know.

18,761. We brought it out at ·65 of a penny. And how much does a man consume in a year?—I have not worked out all this.

18,762. About nine pounds, I believe?—Yes; still the cost of salt is a material element in the cost of living; it must be borne in mind that the people of Southern India especially are a vegetable-eating people, they consume a large quantity of rice; they require a large quantity of salt, much larger than people subsisting on another character of diet. Their cattle they give a large quantity of salt to, and to a man earning two annas a day the cost of salt is a material element in his expenditure.

18,763. (*Chairman.*) Will you go on?—The general tendency to increase the expenditure should be controlled by giving to the representatives of the taxpayers in the various Legislative Councils a more direct and substantial voice in the legislation. The system of provincial finance, as it is now worked, does not altogether fulfil the object which it is designed to fulfil, and should be further developed.

18,764. You propose now to develop those two points, do you not?—Yes.

18,765. Perhaps you would proceed, then, with the administrative machinery, under which, I understand, you are going to show us the manner in which a better control over the finance of the country might be given?—Yes. I said above that the checks on the administration of expenditure provided in the constitution of the Government have proved mostly to be ineffectual. But it is patent that there should be checks which are fully effectual, and either those which already exist should be improved, or new ones should be provided. The President of this Commission himself observed in the course of its proceedings: "One great difficulty, of course, is that you have in India "always a present danger, namely, the constant emergencies "that occur, such as famine, which make it more desirable "than in a country like this that the financial situation of "the country should be kept essentially safe. I mean by "that, there should be, as far as possible, a good surplus "maintained against such emergencies. The general "tendency of the administration, unless it is very much "checked, is to work expenditure up almost to the limit "of the revenue"—an observation in which Sir Auckland Colvin expressed concurrence. This very much checking is sadly wanting. The existing safeguards may be taken thus:—There is first the British Parliament, which is finally responsible for the good government of India. But this responsibility it considers to be satisfactorily discharged

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by an annual debate on the Indian Budget. We all know how ineffectual this debate is. As a rule it takes place long after the period to which the Budget under discussion refers is closed; it comes at the end of the session, when members of Parliament, after the wearying exertion of a busy season, are anxious to get away; and, as a fact, only a handful of members remain in the House to listen to the Secretary of State's exposition of the financial statement; and it cannot be said that all the members present possess a sufficient knowledge of Indian affairs or take an earnest interest in the subject of the debate. Parliament takes its responsibility easily, and leaves the Indian Minister virtually uncontrolled. The Indian Minister, who is the link between the Government of India and Parliament, rarely possesses a competent knowledge of Indian affairs. He is a Member of the Cabinet, and takes as much interest in British politics as in the affairs of the country over whose destiny he presides, for the time being. The influence of the India Office on the financial administration of India has not been always in favour of economy. The Secretary of State, acting in concert with his colleagues in the British Cabinet, occasionally chooses to over-rule his Council. He is assisted by a Council of which the members are supposed to be chosen for their special knowledge of India. But, in most cases, this special knowledge is antiquated. Things change rapidly in India, and it is exceedingly desirable that Members of the Council should vacate their appointments after a shorter period than ten years, and should not be eligible for reappointment as a rule. The worst evil in the position of the Secretary of State is that he is the mouthpiece of the officials of India and does not judge impartially between them and the people. Our great complaint is that against the decision of officials in India we have to appeal to a body consisting of the same officials with the same bias and the same views. The Secretary of State often looks at Indian questions through British politics, and this circumstance often makes him a biassed authority, preferring British interests to those of India. His decision in regard to the cotton duties, the cost of the Indian contingent to Suakim, and the occupation of Chitral, was viewed by the Indian public in this light. The India Office, on the whole, is not favourable to economy. It is not so, at all events, in regard to expenditure on railways. Section 55 of the Government of India Act was designed to operate as a check on the Secretary of State and his colleagues in the British Cabinet, when they may decide on using the Indian revenues in the execution of military enterprises for the advancement of British interests. But the highest authorities have admitted that it has entirely failed to produce this effect, and that some effective check is necessary. Looking into the figures during the last decade, I think that the real check that is wanted is not so much upon the Provincial Governments or even upon the Government of India as upon the Secretary of State, who is subject to no check practically when he sanctions one frontier expedition after another and incurs big expenditures out of the Indian revenues. Sir Auckland Colvin said: "In a country where "the taxpayer is an alien, and is not able to make his voice "directly heard, the need of giving close attention to "economy in administration is greater than it would other-"wise be." The idea is no doubt excellent; but in the actual business of a Government conducted by a foreign agency over a dependent people mere ideas are of no use unless they are embodied in the working constitution of Government. Nor do I think it practicable to give to the Finance Member of the Government of India more power than he now possesses, or to make the Secretary of State and his Council the Finance Minister's support against his colleagues jointly or individually. If he got the support of the Secretary of State, it would be indeed a strength to him. The best way to strengthen the hands of the Finance Minister is however to give him an opportunity of pointing to Indian public opinion, as constitutionally expressed in the Indian Legislative Councils, in support of his own views. The reform which was introduced in the constitution and powers of our Legislative Councils by the Parliamentary Act of 1892 should be carried further, and the Members of the Council should be empowered to vote on the different items in the Budget. There should be also more scope for interpellation in these bodies. The present rules should be modified so as to give to the non-official Members a wider discretion in asking questions. Often the interpellating member is shut out by the arbitrary decision of the Viceroy, or the head of the Provincial Governments, ruling the question to be inadmissible. Sometimes complaints are made that unofficial Members put too many questions, but it must be remembered that India is a vast Empire and the Legislative Council meets not more than half a dozen times throughout the whole year. I am not sure that the questions put in the Governor-General's Legislative Council for a whole year are so numerous as those put in the House of Commons in a month. The Government should show greater disposition to consult public bodies and individuals. Lord Ripon, when he was Viceroy, issued a resolution to this effect; but I believe that since his time the matter has been forgotten. The present Viceroy, in his last tour in 1895, did not encourage unofficial representations to him on public questions. He declined to receive addresses from public bodies unless these addresses dwelt on topics of no controversial nature. He objected to certain paragraphs in the address of the Sarvajanik Sabha of Poona, which referred to the re-imposition of cotton duties, to retrenchment of expenditure, and to the payment by the Government of the expenses of non-official witnesses that might be summoned by this Commission. He similarly objected to certain paragraphs in the address which the Mahajana Subha of Madras proposed to present. These paragraphs referred to the Government's decision in regard to Chitral, to the reimposition of the cotton duties, and to the heavy taxation of the agricultural classes. The Subha refused to omit these paragraphs, and did not present the address. There is a tendency, I apprehend, to neglect, not merely unofficial public opinion, but subordinate Governments also. The Government of my Presidency has often suffered for the fault of its being far away from the seat of the Central Government. Sir James Westland recently apologised to Madras for not sending his financial statement to that Presidency in advance as he sent to Bombay. After the publication of the financial statement sufficient time should be allowed before the debate, so that Members of the Council might have sufficient time to master the details of the statement, and produce a useful and effective criticism. There would then be time for public criticism also, and the non-official Members would be in a position to consult their respective constituents. Sir James Westland's explanation of the circumstances which rendered the present arrangement necessary illustrates the frequent disregard of public opinion by Government in India. He said: "19th (of March) is about the earliest "we can present it (the financial statement), and this "year it was nearly the latest also—if we were to "postpone it for a few days longer, it would cause consider-"able inconvenience to this Council, as the Council, "according to the usual arrangements, dissolves before "the end of March." These official gentlemen going to Simla cannot certainly be more important than an adequate consideration of the finance of the Empire. The discussions of the Provincial Budget in the Provincial Councils are useless, because all the allotments are previously submitted to the Government of India who have to approve of them, and the Members of the Council can only pass an academical criticism to be mostly disregarded by the Government. I think it is worthy of consideration by the Commission whether the Governor-General, who is the President of the Council, should be entrusted with the control of any particular department. His function should be to exercise a wholesome and judicial control over all the departments. His position should give him no interest in the expansion of any particular department. The Viceroy is in charge of the Foreign Department, which has a very large political area beyond the Indus, which causes very considerable expenditure. Sir Auckland Colvin's remarks in this connection are relevant. He said: "I think again that, with all its "advantages, the decentralisation scheme has weakened "the Financial Member's power a good deal indirectly "by throwing the balance of the Viceroy's interest into "a class of questions in which he has more direct "concern and over which he has now exclusive control, "such as the public works, military and foreign matters. "The Provincial Governments, since the decentralisation "scheme was introduced and elaborated, have taken the "internal administration of India from off the shoulders of "the Council, and of the Viceroy as representing the "Government, in a degree which before was never dreamed "of. The result is, I think, that the internal affairs of "India occupy less the attention of the Viceroy than the "external, which are costly. I am not speaking of the "rightness or the wrongness of it. The public works as "well as the military engage his time, and engage his "attention in a far greater degree." Since 1885, it is the common belief that military considerations have received greater weight in the decisions of the Government than financial, and questions connected with them have pushed into the background questions of internal improvement. Military affairs and the difficulties of falling exchange have divided the Government's attention, and for some time past the famine has engrossed the energy of the Government as well as of the officials. Lord Elgin expressed his regret, at a meeting of his Legislative Council in March last, that he had not been able to devote attention

to the all-important question of the material condition of the people. In illustration of this fact of the Government of India not being able to give sufficient attention to internal affairs, I can mention several other instances. The organization of an agricultural department has been in the preliminary stage for the last 25 years. Lord Dufferin had his attention drawn to the encouragement of technical education, and a "note" upon that subject was published in the Home Department. The subject has apparently been forgotten since then. In a resolution dated December 1887, the Government of India directed an analysis of agricultural tracts should be gradually set on foot with the view, firstly, of ascertaining in what parts of the Empire the agricultural population, and the lower classes of the people are suffering from an insufficiency of food or agricultural capital; secondly, of discovering the causes of any conditions of degradation which might be found to exist; and lastly, of suggesting or providing such remedies as might be found necessary or desirable. In pursuance of this plan, Lord Dufferin had an inquiry instituted in 1888, which he himself characterised as of a "cursory and incomplete character." So far as the public are aware, this inquiry has not been followed up by one deeper and more thorough.

18,766. That I think brings you to the remedies that you would suggest?—Yes.

18,767. Perhaps you would run through them, would you?—Yes. Before proceeding to express my views on the subject of the system of provincial finance, which is an important wheel in our financial machinery, I shall point out my remedies thus far. 1. There can be no doubt that one way of strengthening the financial position of India would be as Sir Auckland Colvin says: "In some way "without undue interference with the authority of the "Government of India, to establish a control emanating "from what theoretically is at present the last Court of "Appeal, Parliament. A committee of the Members of "Parliament, such as Sir William Wedderburn has "suggested, to scrutinize the financial statement every "year and to submit a report to the House of Commons "before the financial statement is brought up for discussion, would in some measure secure this end. The "Committee would of course pay due attention to the "opinions of the non-official Members expressed in the "Legislative Council of the Viceroy." It came out fully in the evidence before the Commission that the present system, by which disputes regarding the apportionment of certain charges between the two Governments are kept up for years and finally decided to the satisfaction of neither party, should be put an end to. It has been suggested that the principles which should be the general basis of apportionment should be laid down in a Treasury Minute, and that the application of these principles to instances where the two Governments might not agree, should be left to an arbitrator, or a body of arbitrators, chosen by both the Governments. This suggestion commended itself to the Marquess of Ripon and the Marquess of Lansdowne. It would be a better system, I think, to rest the power of final decision in the Judicial Committee of the Privy Council. The Privy Council is a tribunal well known in India, and would command from the people greater confidence than any arbitrators chosen from time to time. I have already pointed out the importance of the Members of the Secretary of State's Council being men in touch with the actual financial conditions of the day in India. To secure this end, the present system of appointing them for ten years, and keeping them on for a further period if the Secretary of State chooses, should be abolished. Their term of office should extend only to five years like the Members of the Government of India and the Provincial Governors, and they should not be eligible for re-appointment. Among the Members of the Council there should always be several Indians possessing necessary qualifications and not necessarily official. They should be appointed on the recommendation of the elected Members of the Legislative Councils. They would take care to put before the Secretary of State the Indian view, which he has no means of knowing under the existing system. Coming to the constitution of the Government of India in India, I have already pointed out the desirability of the Governor-General being divested of control over any particular department, so that he may have more time than he has at present to attend to internal affairs of the country, which unfortunately do not receive the same attention that they used to receive in years previous to 1885. The Members of the Governor-General's Legislative Council should be empowered to vote on the Budget, although any decision adverse to the Government of India may be overruled by the President. There should be given greater scope for interpellation, and, whenever any measure of legislation affecting finance is in contemplation, the views of public bodies should be obtained beforehand as far as possible.

18,768. You say that the British Parliament considers its responsibility satisfactorily discharged by the annual debate on the Budget; are there not many other occasions in which Indian affairs are discussed in Parliament?—Yes there are, but they are more due to chance; I think they are not provided for in the constitution, that is what I mean.

18,769. No, but is there then no scope for definite debates upon subjects, because Parliament does not interfere with the ordinary course of legislation in India? If it is open to any Member of Parliament to bring forward questions affecting India, surely that gives every opportunity for the discussion of those questions?—Well, I am not acquainted with the forms of the House of Commons, but my impression is, and the impression in India is, that it is exceedingly difficult for any Indian question to be brought up in the House of Commons for discussion, and practically no effective debate comes up. The only occasion provided for in the constitution is the annual statement of the Secretary of State about the finances of India.

18,770. Did not the cotton duties and also the Suakin Expedition form the subject of debate in which the Government policy was very freely criticised in the two Houses of Parliament?—Yes, such occasions are very few and due more to accidental circumstances.

18,771. There are plenty of members of Parliament who are quite ready to take up an Indian case, if they think there is cause for it?—The point is, what facilities exist for their bringing forward Indian questions.

18,772. You wished to establish a control emanating from Parliament, and you would exercise this control by appointing a Committee of the House of Commons to scrutinize the financial statement and report to the House of Commons?—Yes.

18,773. This Committee therefore must examine and form an opinion upon the details of Indian taxation and expenditure, must it not?—Yes.

18,774. Then they would undertake a very important administrative duty. To discuss questions of expenditure and taxation involves the discussion of very important administrative questions, does it not?—I understand their duty would be more in the nature of control and suggestions.

18,775. But, if they are to discuss the proposals in the Budget, they must discuss the expenditure and the taxation, must they not?—I believe so.

18,776. And those are administrative duties, are they not?—Yes.

18,777. Do you think that such a committee would have a knowledge of the subject sufficient to make their report of value?—They would have the facts placed before them, I believe, and their duty would be to decide upon the facts placed before them.

18,778. But, if they are ignorant of the circumstances which have led to these facts, do you think that their Report would be of any advantage?—They could get any help that they wanted, my Lord, I think. Any help that they might require, in the way of more knowledge or information, I think they might get very easily.

18,779. But, if they had not themselves any knowledge of the subject, might they not be led or fall into very great error?—I do not believe there is more likelihood of that than of the Secretary of State or the Viceroy falling into such errors; they have only to bring their experience and statesmanship to bear upon the questions and facts placed before them, and submit to the House of Commons what they think on the facts and information placed before them.

18,780. But, observe, the Viceroy is out in India at the head of the Government there, solely employed on the Government work, with all Indian official experience behind him. He is in a different position from a Member of Parliament, who has generally a number of other avocations, has no knowledge, perhaps, or a very slight knowledge, of India. If he comes in to judge these very important questions of Indian administration, is there not a difficulty there?—I believe it is possible to get on this Committee members who are acquainted with Indian affairs; but I am willing to admit that they will be at a greater disadvantage than a Viceroy or a Secretary of State. Still, on the whole, their duty would be the duty of control and suggestions; and I hold they would exercise a salutary check on the growth of expenditure in India.

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18,781. You speak of the members who are present at the Indian Budget as a handful of members; but these are exactly the members who take an interest in Indian affairs, are they not?—Yes, they must take more interest than others that are absent, of course.

18,782. And yet you say that it cannot be said that all the members present possess sufficient knowledge of Indian affairs?—That is my belief.

18,783. Even though those are the members who take a special interest in Indian affairs?—Some members do take an interest, but it does not necessarily follow that they possess the necessary knowledge.

18,784. You comment upon those members as not possessing a sufficient knowledge?—Yes.

18,785. Still, the committee would naturally be chosen from among those men who possess knowledge of Indian affairs?—Yes.

18,786. But of whose knowledge of Indian affairs you do not express a high opinion?—There are two or three who might be occasionally chosen, who possess a fair knowledge of Indian matters.

18,787. But the committee would deal upon those questions by a majority?—Certainly.

18,788. Where would you wish those gentlemen who have no intimate knowledge of Indian affairs, and who are yet to be a controlling power over Indian administration, to get the information?—From any quarter from which they could get it, from the India Office or from the Government of India.

18,789. I notice you lay great stress, and I think very rightly so, on the necessity of knowledge of Indian affairs, because you say things change rapidly in India?—Yes.

18,790. You wish that the Members of the Council of India should hold their posts for five years only, in order that they may be more in touch, I suppose, with the actual state of things in India?—Yes.

18,791. But, if this minute knowledge of India is essential in the Council who advise the Secretary of State, would you expect great results from entrusting the examination of Indian Finance to a council—because that is the body you are going to create—as ignorant of India as I think you have described Members of Parliament to be?—My idea is that they would have different functions to discharge. This Parliamentary Committee I have in my mind would exercise a power of control, not actually directing the administration which the India Office does. The Secretary of State and his Council are the final directing body, they are the administrative body of India, which this committee perhaps would not be. I believe that the chief function of the committee would be to examine the policy of expenditure of Government and communicate to the Secretary of State, or any other proper authority, what they think of the expenditure that is being incurred.

18,792. But this committee of which you have spoken would be what I may call the supreme controlling power by which you would bring influence to bear on the Secretary of State; and, though you lay such stress upon Indian experience in the Council that advises the Secretary of State, you think no Indian experience is necessary in the persons who are going to criticise and perhaps cause the reversal of the administrative acts of the Government in India, especially in such delicate and difficult questions as those of finance?—They would act more as jurors and judges than as practical administrators, that is my view. This Parliamentary Committee I have in my mind would do the work of jurors and judges on the facts placed before them, whereas the India Office people would be the direct administrators. I do not know whether I have made myself intelligible to the Commission?

18,793. Still, this committee on whom you would impose such important duties would be men of no experience in India, and they would have to express what is almost a final opinion upon the most intricate questions of finance in India?—So far as that constitutes a disadvantage, they would certainly be subject to that.

18,794. In asking these questions I am not in any way desirous of expressing any opinion against the desirability of strengthening Parliamentary control. My object in asking them is to point out to you objections that occur to one's mind in such a difficult matter as this, to bring before you that there is a very considerable danger, or there may be a considerable danger, in trusting too much to the opinions or to the recommendations that may be made by men who are entirely ignorant of India?—Yes, making allowance for the disadvantage that your Lordship refers to, I think on the whole that it would be beneficial to have this Committee with some power of control.

18,795. (*Sir William Wedderburn.*) Might I ask a question? I understand that the Select Committee would not exercise duties of control; it would only report to the House of Commons?—That is so, yes.

18,796. Therefore it is not proposed to create any new power, but only to enable the House of Commons to have a little better information for the exercise of its existing power?—Quite so.

18,797. And its existing duty?—Yes.

18,798. (*Mr. Mowbray.*) How long do you suppose the Committee would take to make such an investigation as you suggest? I mean, at what stage would you bring in this Committee which you suggest?—I think as soon as the financial statement is discussed in India this Committee might be given the facts, and I think they could be set to work.

18,799. But then would the whole administrative arrangements of India be hung up pending the report of this Committee?—No, not necessarily. I do not see how it follows. The administration would go on as it goes on ordinarily.

18,800. You said that the Committee would possibly have to get evidence and facts from the Government in India?—If necessary.

18,801. A process which might take some little time?—I expect all the facts that the Committee would require would be on record in the financial statements and the other publications of the Government. If any fact or information were specially wanted, they might obtain it from the proper quarter; meanwhile the administration of India might go on just as usual.

18,802. The Budget, having been carried in the Legislative Council in India, would be the working arrangement for the year?—Yes, it is so even now.

18,803. Of course it is now?—Although the Secretary of State brings up——

18,804. I want to know, in what way would this Committee control the action of the Government?—This Committee would help the Secretary of State and Parliament by placing before them their own special opinions, arrived at after a very mature consideration of the facts placed before them, which ordinarily Parliament is not in a position to do.

18,805. What I am wishing to point out is, that to arrive at the result of a mature consideration upon facts, some of which might have to be ascertained from India itself, would probably take a very considerable time?—Yes, but now, though the Budget is passed in India in the month of March, it does not come before the House of Commons before the month of October or November.

(*Mr. Courtney.*) August generally.

18,806. (*Mr. Mowbray.*) August?—Meanwhile this Committee might be working up questions.

18,807. That would be your idea, that they should sit, say, upon the Budget in the interval between its discussion in the Legislative Council in India and its discussion in the House of Commons in England?—Yes.

18,808. (*Sir Ralph Knox.*) Have the people in India been generally satisfied with the results of the Parliamentary inquiries which have taken place into Indian affairs from time to time?—Oh, yes, especially in the Company's days.

18,809. Take, for instance, what was known as Mr. Fawcett's Committee, were they satisfied with the inquiries which took place then?—I think that was an unfortunate exception; but even that inquiry brought out a number of facts, which would not have been made available to the public but for that inquiry.

18,810. And in that way it showed itself very useful?—Certainly.

18,811. How long did that Committee last?—I think, from memory, it lasted for a long time.

18,812. It ran into two or three years, did it not?—I think so.

18,813. Do you not think that an inquiry instituted from time to time into the progress of Indian expenditure would be more satisfactory and more thorough than one instituted only into a single budget, and necessarily having to be got through very quickly?—The inquiry which I have in my mind would not be in the nature of the inquiry by this Commission; it would be more or less an inquiry by a certain small body of experts, and they would

examine the facts and sift the information placed before them without calling for witnesses or any such thing. I do not believe that inquiry would be anything like the inquiry of Mr. Fawcett's Committee, or anything——

18,814. But do you not think a thorough overhauling periodically, say, every five years or every seven years, of the expenditure in India would be of more value than to discuss from year to year the details of the Budget?—I beg your pardon, there would be no overhauling at all by this Committee which I propose.

18,815. There would not?—No.

18,816. What would its object be?—They would report to the Secretary of State or to Parliament.

18,817. They could make no report without going into the matter?—They would go into it, but no action would be taken upon the recommendations unless the Secretary of State or Parliament thought it necessary to take it.

18,818. That is the case with all?—There would be no overhauling; they would say that such and such an expenditure was too large, or such and such an increase should be reduced; and in that way they would make recommendations.

18,819. (*Sir William Wedderburn.*) With regard to the knowledge of Indian affairs among the members of such a Select Committee, you would hope that the examination that they would make of the accounts would have an educational effect upon them and increase the knowledge and interest in Indian affairs in Parliament?—Necessarily, it would have that effect.

18,820. And as regards the comparative experience of members of Parliament and of the Viceroy and his Council in India, you do not dispute the special knowledge of the Viceroy; but what you desire in a Select Committee is the impartiality that you hope to get, and the willingness of such a body to hear both sides of the case?—Yes, they would bring fresh unbiassed minds to bear upon the facts placed before them.

18,821. This impartiality you value even more than a detailed knowledge of Indian affairs?—That is what we want.

18,822. (*Chairman.*) Your Select Committee would represent more or less the views of the majority in Parliament, would it not?—I believe so.

18,823. Committees are constituted more or less upon the principle, are they not, that the majority in Parliament has the majority on the Committee?—Do I understand your Lordship to say that the Committee would be of one party or the other?

18,824. No; if there are 15 members of the Committee, eight would represent the party in the majority, and seven the party in the minority?—Not necessarily?

18,825. That is the general rule?—Yes.

18,826. Now, do you think that it would be perfect security to the people of India to rely upon the recommendation of a committee which would be influenced by the views prevalent with a majority of the House of Commons at a given time?—I do not expect that their recommendations would be influenced by the party to which the majority may belong.

18,827. Is not that rather a large assumption, that the members of the party that, we will say, are supporting the Government, will not favour the policy which the Government has adopted?—I do not see any connexion between Indian questions, which would be the issues that would be placed before them, and the party to which they belong.

18,828. Take such a question as the Cotton Duties, upon which there is a very strong opinion very strongly held in Parliament?—Yes.

18,829. Do you feel quite certain that the majority of the committee would judge the question of the Indian Cotton Duties uninfluenced by their constituents' views as to the methods by which those cotton duties should be levied?—Ordinarily this committee would not have to consider questions of that kind.

18,830. Oh, but I beg your pardon; if they are going to consider the financial statement, they must consider the whole of it; and they must consider the proposals as to taxation, and as to expenditure, which the Budget contains?—What I mean is, that it is not every year that cotton duties are imposed or questions of this kind crop up; but I will take a committee subject to such questions arising.

18,831. But still, I ask you whether you would have perfect confidence in the impartiality of the committee so created, remembering what great influence the wishes of their constituents have upon members?—Well, I would rather have confidence in the gentlemen appointed.

18,832. Now then, take another point; supposing the Indian Budget provided for, we will say, the abolition of the income tax; that the tax was repealed; and that this committee afterwards condemned the repeal of that tax; would not that be introducing a very awkward element into Indian administration?—That would depend upon the judgment of the Secretary of State or the Government; if they thought that effect should be given to that recommendation, I daresay effect would be given. I suppose we can have confidence in the judgment of the authority as to whether the needs of administrative continuity require effect to be given to the recommendation or that it should be left in abeyance for some time.

18,833. This Committee, from your point of view, is to afford means of making effective the parliamentary control over Indian Finance?—Yes.

18,834. If the Committee differed very much from the scheme of Indian Finance which the Budget contained, would it not be a very awkward circumstance, because the Budget, according to your views, as I understand, would be given effect to some months previous to their report?—It would have that effect; but still I think the moral effect would be very great.

18,835. (*Mr. Courtney.*) You are not much acquainted with the operations of the Standing Committee of the House of Commons?—No.

18,836. You have heard of special committees appointed from time to time?—Oh yes.

18,837. And your attention has been more fixed on them than on the work of standing committees?—Yes.

18,838. What are the special conditions that have attracted your attention?—Well, I have not given much attention to the special committees of the House of Commons. I have read occasionally of special committees being appointed, but I do not believe I ever watched their proceedings, or how they worked.

18,839. Then you are not well acquainted with the working of any committees, whether special or standing?—Practically it amounts to that, that I am not well acquainted with the working of any committees of the House of Commons.

18,840. You have more faith than knowledge perhaps?—Yes, I have faith.

18,841. We have a Standing Committee of the House of Commons called the Committee of Public Accounts; have you ever heard of it?—Yes, I have heard of it.

18,842. Do you know what its work is?—No.

18,843. It was suggested to you just now that members learn their work by serving on committees?—Yes.

18,844. Would you believe that a member could have sat on that committee for many years, and never know what its work was?—No, I do not know.

18,845. That would appear incredible to you?—Yes.

18,846. Yet it is a fact. If that is possible, would you still have great confidence in the excellent working of an Indian Standing Committee?—We are referring to this only as one point in the machinery.

18,847. Yes, but I want to bring you to detail, in order to see how much you know about what you are suggesting, and what real ground there is for believing that anything would come out of it?—So far as Parliament is vested with any power of control over the finances of India, I think that this control might be better exercised by means of a committee of this kind than in the manner in which it is done now.

18,848. I want to work that out. A committee would be appointed, as Lord Welby has said, representing the House of Commons; in this, the majority of the committee would correspond to the majority of the House?—Yes, they would.

18,849. That is a law that could not be altered, that law of composition?—No.

18,850. That being so, the majority of the committee are of the same temper as the Secretary of State already?—Yes.

18,851. Do you think that a committee so constituted, with such knowledge as I have suggested, might be worked upon by one or two independent members to come to resolutions correcting the action of the Secretary of State?—Well, it appears to me that we can have more faith in the judgment of a number of gentlemen experienced in

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the House of Commons than we have in the judgment of a Secretary of State already committed to official views.

18,852. It is faith?—In the control of Parliament. We have faith in the control of Parliament as it is at present..

18,853. Now another point. This committee would have brought before it a financial statement?—Yes.

18,854. By the Secretary of State or someone from the India Office?—Yes.

18,855. Would you provide any machinery for bringing forward criticism of that statement?—This committee would criticize that statement, would examine that statement.

18,856. Yes, but how is the committee to be informed? When you have got a jury, you have got a prosecutor and you have a defendant, and you have got a "vakeel" on the one side and on the other?—Yes.

18,857. Here you have got the Secretary of State bringing forward a financial statement agreed to by the Government of India and approved by him?—Yes.

18,858. How are you going to bring forward the other side?—There would be the views of the Members of the Council, more especially the unofficial Members of the Viceroy's Council.

18,859. And they would send over every year somebody to state their views?—If necessary, they would do so.

18,860. Is that part of what you considered should be done?—I think so; whenever any question arises upon which there may be difference of opinion expressed in the Viceroy's Legislative Council between the official Members and the non-official Members, the discussion bearing upon this difference would, I think, be sent to this committee for their information.

18,861. That might be done perhaps by having reports of discussions in the Council?—Yes.

18,862. Would that be enough?—I think so; ordinarily it would be enough.

18,863. Well now, having these materials before them, would they go through the Budget clause by clause?—I should expect them to do so.

18,864. Taking the Revenue; the Land Revenue is stated as so much; would you expect them to form an opinion as to whether that was too high?—I think so.

18,865. Or whether the assessment—the recent assessment—had been put up too much?—Yes, for some time they might not be able to do so, but in subsequent years, as they gathered more experience and more materials, they would acquire greater competency.

18,866. But whence would the materials for judgment come before them?—Discussions in the Council, and such literature as might be available.

18,867. So you think every item, the customs duties, he income tax, the Excise duties, would be examined by them and their propriety considered?—I think so. If consideration becomes necessary, I expect them to give the consideration to them.

18,868. And they might be occasionally found coming to a conclusion adverse to that of the Government which they represent?—If necessary we expect them to come to an adverse opinion.

18,869. And so also with respect to expenditure?—Yes.

18,870. They would go item by item through the expenditure?—Yes. I do not believe there will be much difficulty in the examination that you suggest.

18,871. The examination being that of a statement put before them by the Government?—Yes.

18,872. Which defends the statement?—Yes.

18,873. (*Chairman.*) You also wish the Legislative Council to have the power which the House of Commons possesses of rejecting votes? I want to understand clearly whether you wish the Legislative Council to occupy in that respect exactly the position of the House of Commons?—I do not exactly realize the position of the House of Commons in this matter, but I am aware of the position of the Legislative Councilin India. What I mean is that the Members of the Council should vote upon the different items of expenditure.

18,874. And, therefore, have the power of rejecting them?—Yes.

18,875. Yes, quite so; you are in fact applying to the Legislative Council in India, so far, the powers of the House of Commons. They would have the absolute power of rejecting a vote?—With this difference, my Lord, that the Government would have the power of overruling their decision.

18,876. You reserve to the Government the power of overruling the decision of the Legislative Council?—The majority of the Council of course.

18,877. You wish to give a large power of interpellation, and you have given some description of the limits now put upon it. Could you describe to us a little more fully what those limits are? Does the Governor-General often forbid questions to be put?—I cannot say he often does, but he sometimes does. I think the restrictions now obtaining relate to most topics of a controversial nature or that bear upon military matters. In certain other departments questions are not allowed. Often the issue arises whether a particular question put comes within the restriction recognised by the rules, and the judgment of the Viceroy, or of the President of the Provincial Council, often clashes with the view of the gentleman who puts the question or the view of the public.

18,878. But is it a serious limit, do you think? Are questions often rejected?—Well, I do not believe it is a very serious matter. I merely mention it as one of the suggestions that go to improve the situation.

18,879. You were speaking of the Viceroy, I think, refusing last year to receive petitions; are you under the impression that Lord Elgin introduced a new practice, and that, previous to him, Governors-General practically accepted the petitions or addresses presented to them?—Practically; practically Lord Elgin's proceedings marked a departure—a very marked departure.

18,880. You think that previous Governors-General allowed controversial questions to be brought before them containing an expression of the opinion of the body that had drawn up the address?—Yes.

18,881. And I should gather from what you said that Lord Elgin refused on several occasions?—He did so in Madras and he did so in Poona; and previous Viceroys used to admit questions of a controversial nature, and they expressed their opinions, even though they differed from the body addressing them.

18,882. You wish time to be allowed for the Legislative Council to consider the Budget before discussing it. Do you mean by that that the financial year should be altered?—Not necessarily. Now hardly a week is allowed. The Budget is published and the next week the discussion is brought to the Council.

18,883. But we have had evidence before us that, with the financial year ending on the 31st March, it is very difficult to produce a Budget at an earlier time. Your suggestion would rather imply, I think, that the Budget should be produced some time, we will say, before the 19th of March?—Not necessarily, my Lord; the discussion might be postponed; it might be taken up at a later date.

18,884. You mean that the Government might postpone their departure for Simla?—If necessary.

18,885. You speak of the desirability, I think, of divesting the Governor-General of India of control over any particular department?—Yes.

18,886. Now, supposing there was a chief of the Foreign Office, that would not prevent the Governor-General turning his attention to those matters of Indian Government that he thought most deserving of attention, would it?—Practically; it has stood in the way of his giving attention to internal affairs, and I have given instances to show that of late some matters that were pressing for consideration have not received the consideration due to them.

18,887. You quoted Sir Auckland Colvin on the point that decentralization had taken away many branches of business to which no doubt the Viceroy used to have to pay his attention, leaving him with fewer subjects to pay attention to, so that he gave his attention to military matters—I am speaking from your point of view you know—and foreign affairs, in a manner that had not tended at all events to economical government?—The exact point. It has tended to questions of internal affairs not being sufficiently considered.

18,888. You confine it to them? You want him to take up more internal affairs?—Yes.

18,889. You do not mean that you would reverse the policy of decentralization?—Oh no.

18,890-1. But you think that, if he had a Foreign Member of Council under him, he would not necessarily be so much engrossed in foreign affairs, but he would have more time

to give to domestic affairs?—This is what I mean. The work might be distributed as circumstances might require.

18,892. (*Sir James Peile.*) But would it be possible for the Viceroy to dissociate himself from the Foreign policy of the Indian Government?—Yes, it is; but what happens at present is that he becomes more interested in certain Departments such as the Military, or in the annexation of provinces, and questions of that kind, while other questions such as Education, &c., are apt to be neglected. At all events they do not receive the consideration from the head of the Government that they deserve.

18,893. (*Chairman.*) You want, if possible, to get him to give more attention to internal matters?—To place him in a situation which would enable him to do so.

18,894. You do not mean by any means to weaken his position in the Government?—By no means.

18,895. You do not mean to reduce him to the position of a constitutional ruler who reigns but does not govern?—On the other hand, it would strengthen his hands by giving him a firmer and more impartial position in the Council.

18,896. There is one point you made a remark about, namely, the powers of the Provincial Councils and the Provincial Governments; you spoke of them being subject to the control of the Central Government; do you put that in a general sense? Would you wish to see the Provincial Councils and the Provincial Governments made entirely independent of the Central Government?—I will not say entirely.

18,897. But you think that at present the Central Government interferes too much?—Yes, it does.

18,898. (*Mr. Mowbray.*) Could you give us any instance of what you mean by the Central Government interfering too much? I mean what had you in your mind when you made that statement?—In fact in almost every detail of administration the Central Government interferes; as far as I understand, the Provincial Governments have no power to incur any fresh expenditure or make any appointments or introduce any new policy.

18,899. Those are the general principles?—Yes.

18,900. You had not any special case which you wished to bring forward?—I am not prepared to mention a special case just now.

18,901. (*Chairman.*) Would you now proceed to give us your views on Provincial Finance?—Yes, there is no more important question than the system of Provincial Finance in considering the means by which the growing expenditure of the Indian Government can be brought under salutary control. The revenues of the country are spent in certain proportions by the Government of India and by the Provincial Governments. The Government of India spends a larger proportion, and spends it mostly on objects which are not beneficial to the people or which concern only their indirect and remote interests. On the other hand, the expenditure of Provincial Governments is incurred for purposes which concern the direct and immediate interests of the people, appeal to their sympathies and promote their well-being. Still, while the Provincial Governments are constantly called upon for contributions to Imperial expenditure and the improvement of the provinces is thus obstructed, the Central Government is practically under no control and pursues its course of extravagance. I would commend to the Commission a perusal of the debate in the Viceroy's Legislative Council on the last Financial Statement. There the question is fully discussed, Sir James Westland pleading with all his ability and knowledge for the Central Government, and the Lieutenant-Governor of Bengal, supported by several Non-Official Members, more notably by the Honourable Mr. R. M. Sayani, urging with great effect the side of the Provincial Governments. The two sides approach the question from opposite points of view. Sir James Westland's opinion is as follows: "The Revenues of "India are the Revenues of the Government of India—a "constitutional possession. The Government of India is "a body created by Act of Parliament, and if reference is "made to that Act of Parliament it will be seen that the "revenues of India are the revenues of the Government "of India and of that Government alone. Every action "that the Provincial Governments take in respect of them "must be justified by a specific order of the Government "of India, and apart from that Government they exercise "no financial powers whatever." The other point of view is well put in the following words of Sir Charles Elliott, which Sir Alexander Mackenzie, the Lieutenant-Governor of Bengal, quoted with qualified approval. Sir Charles Elliott strongly urged a modification of the present system, "so that the contract should be a continuing one not subject "to sudden ruptures and renewals, but that its leading "principle should be that all the revenues of the Province "should be provincial, the Government of India receiving "a certain per-centage on the entire sum which should be "the contribution of the province to Imperial Government "and defence." He also represented "the unreasonable-"ness and the hardship of requiring every province to give "up a constantly increasing share of its revenues whenever "a new contract is framed." Sir Alexander Mackenzie also quoted Sir David Barbour's opinion expressed before this Commission, and added that the present system could not last long. He suggested that "the Government "of India should, with the consent of the Secretary of "State, refer the whole question to a conference at which "the Provincial Governments should be adequately repre-"sented, and endeavour to lay down the lines of a system "which would be satisfactory to the Provincial Govern-"ments, while meeting fairly the undoubted exigencies of "Imperial finance." He characterised the existing system as one "which, with all its admitted advantages of "diminishing Imperial interference in petty details, leads "to so much quinquennial bickering and heartburning "and involves so much uncertainty and haphazard in "provincial administration." "In framing it and working "it successive Finance Ministers and Secretaries of State "have simply dictated their own views without giving "Provincial Governments an opportunity of being heard, "except as to details after principles had been laid down "authoritatively, I had almost said despotically." "If "the policy of the present day is still one of decent "decentralisation in legislation and finance, let us for "any sake devise a workable scheme. As matters "stand, the Provincial Government is bound to justify "to its local council and the local public financial "measures which it is only allowed to criticise within hard "and fast limits laid down by the Financial Department of "the Government of India." "It would be better for both "of us—and I speak for all Provincial Governments—"were our financial relations regulated as much as possible "by automatic self-acting principles, save when some "serious calamity like widespread famine, or national "exigency like a great war, comes to sweep away all "ordinary rules, and rally, as they would do, all the Local "Governments to the side of the Supreme Government in "simple and self-sacrificing unity." The Honourable Mr. Sayani took in effect the same view. He described its features to be "unequal and unfair apportionment of "revenue between Imperial and local needs, on the one "hand, and as between one province and another, on the "other, a standing source of irritation and discontent in "itself, short term settlements not calculated to inspire a "sense of security or certainty, periodical re-adjustments "of assignments, generally resulting in curtailment of "provincial resources, and impairing the continuity of "provincial work, extraordinary provincial contributions, "levied, apparently, without convincing reason or clearly "demonstrated necessity; these are some of the features of "the system, and there is no wonder that they reduce its "value, and in its practical working do not show it to "much advantage. In fact our present arrangements do "not tend materially to promote provincial progress, as "was originally intended, but, on the other hand, by "dissociating power from responsibility and leaving the "provincial administrations with uncertain and inadequate "resources to meet the requirements of their respective "provinces, have simply served to bring to the Imperial "Government administrative relief, and a freedom from "financial anxiety in respect of internal progress which "the conditions of the case scarcely justify, and tend "moreover to a diversion of its energy and funds to less "legitimate objects." The present Governor of Madras, Sir Arthur Havelock, on the occasion of the Budget statement in his Legislative Council in March last, characterised the present system in the following language: "It appears "to me that the present system, so called, is bad in itself. "It is demoralising to the Supreme and Provincial Go-"vernments; it is bad in that each revision that takes "place has a terribly disturbing and dislocating effect on "the local administration, especially in the important "department of Public Works, to which the pruning "knife has to be suddenly and ruthlessly applied. It is "demoralising to the Provincial Governments, because it "tends to impair the sympathetic co-operation between "the Supreme and Provincial Governments which is so "desirable, and because it tempts the Provincial Govern-"ment, in its financial relation with the Supreme "Government, which is master of the situation, to have "recourse to the tactics of the weak. When we are in "wealth we try to hide our money, and spend it recklessly "lest the Supreme Government should lay its hands on it.

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"When we are poor we try to give undue emphasis to our "poverty. The system is demoralising to the Supreme "Government, because it relieves that Government from "the consequences of extravagance. In my opinion, the "financial condition of the Presidency will not be satis- "factory, until a larger degree of financial independence "and control is conceded to the Provincial Government, "and until some arrangement more consistent, more "permanent, and less one-sided, than the present contract "system, has been adopted." It is impossible not to agree with these official and non-official critics of the existing system. On the theory of the whole Indian revenue being the "Constitutional Possession" of the Government of India, it takes for its own expenditure 44 millions Rx., while giving to all the eight Provincial Governments only 20 millions Rx. The proportion taken for the Government of India is too large, and, by keeping within rigid bounds its own expenditure, it should allow to Provincial Governments increased latitude in their expenditure, so that the difference in the respective proportions of the Central and Provincial Governments might generally diminish, until the future revenues come to be divided equally between Imperial and Provincial purposes. Another beneficial change in the present system would be to extend the duration of contract over ten, instead of five years. Sir James Westland objects to a *permanent* settlement of apportionment between the Central and local Governments, but I do not think anybody proposed a permanent contract, nor is it a valid objection to the change that is advocated that any alienation of revenues for a permanent or long period would render a remission of taxation difficult. There is no reason why there should not be a remission of taxation by the Provincial Governments and the Government of India within their respective spheres. As a fact, there has not been much of remission of taxation of late, and in the present year the improvement in exchange is a source of gain to the Government, but the taxpayer is not given the benefit of it to any extent. The improvement under exchange in 1896 and in 1897–98, amounts to Rx. 3,982,000 or nearly 4 million Rx., but of this improvement no portion was utilised for remission of taxation, although repeatedly has the Government promised reduction in the salt duties at the first opportunity. I would also urge that the proportion of the total revenues disbursed among the different provinces should be based on a more equitable principle. It is a wrong principle to tax the progressive province for the benefit of the backward province. There is no reason why the ryot of Madras should be taxed for the development of Burma and Beluchistan, and possibly for the development of some other frontier tract which the ascendent policy of military aggression may bring within the limits of British Indian dominion. There can be no doubt that the system that will work satisfactorily to the Supreme Government as well as the Provincial Governments is the one that was suggested by the Finance Committee of 1886. Professor Gokhale dwelt at length on the proposals made by this committee, and I may also quote them here:—"In a note "which they submitted to the Government of India on "the subject, they made the following four proposals, and "urged that their adoption would be attended by very "beneficial results:—(1) That there be no divided depart- "ments, but that those departments of receipts and "expenditure which are now wholly or almost wholly "Imperial, or which it may be found convenient to make "Imperial, should be set on one side for Imperial pur- "poses, and that the receipts and expenditure of the "provincialized departments should be entirely provincial. "(2) That, whatever the sum be by which the Imperial "expenditure exceeds the income from those sources of "revenue which are not provincialized, that sum should "be declared the first charge on the Provincial revenues. "(3) That the Provincial surplus which arises from the "excess of receipts over expenditure should be the fund "from which, in the first place, all Imperial necessities "should be met, before any increase can take place in "provincial expenditure. (4) And that as regards the "future growth of revenue it should, as far as possible, "be divided equally between Provincial and Imperial, "subject to the condition that, if the Imperial exigencies "ever required a larger share, the Imperial share should be "increased.

"Taking the accounts of 1884–85, Sir Charles Elliott "and the other members thus illustrated the working "of their scheme. They proposed that opium, salt, "customs, tributes, post office, telegraph, mint, interest "on debt, superannuation receipts and charges, the East "Indian, Eastern Bengal, Guaranteed and Southern "Mahratta railways, military works, army, exchange, and "home charges, should be wholly Imperial, and that the "Government of India should also bear the charges and "receive the revenues of the Imperial districts, *i.e.*, the "parts of India which are not included in the Provinces. "On the other hand, they proposed that land revenue, "stamps, excise, assessed taxes, forests, registration, and "the civil departments, should be wholly Provincial; such "heads as stationery, printing, miscellaneous, and rail- "ways, canals, and other public works, as were already "Provincial continuing to be so."

18,902. May I interrupt you to ask whether the Committee make any estimate as what would be the effect of making such an arrangement as that which you have been describing?—Well, I am only quoting this from Professor Gokhale's evidence. I have not gone into the report, but I would merely confine my attention to the suggestions which they make.

18,903. It is rather important, if you are bringing this before us, that we should know what would have been the financial effect of the change; that is to say, taking the figures which you have quoted recently, that the Imperial Government took 44 crores and gave 20 crores to the Provincial Governments, would that mean, we will say, the Central Government taking 40 crores and the Provincial Government taking 24; that is the opinion which, I think, we should like to have?—Yes, I think, so far as these go, they make provision for it.

18,904. Without troubling you on that point now, will you kindly look at it, and perhaps another day, when you come before us, you would tell us?—Yes.

The result of the new contract regarding the Madras Presidency is, that as against the receipts estimated in the Budget at Rx. 3,168,400 the estimated charges are Rx. 3,326,900, which, of course, reduces the opening balance of Rx. 258,500 to Rx. 100,000 at the close of the year. There is a net reduction, excluding land revenue and expenditure on famine relief, of Rx. 233,500 under expenditure, of which Rx. 225,000 falls under irrigation and public works, and the closing balance of the year is estimated to be Rx. 100,000 instead of the obligatory minimum of Rx. 200,000. A saving of about Rx. 20,000 is estimated during the year in the exchange compensation allowance, and this saving will go to meet an increase of charge under general establishment, due to three additional deputy-collectors on Rs. 500, three temporary deputy-collectors in Madura and Malabar, the travelling allowance of 157 tahsildars (to whom a daily allowance of one rupee has been sanctioned for every day spent on tour), and increased charges under remuneration to copyist and examiners. I refer to this to show how any improvement in the resources of the Provincial Government will be applied for the benefit of the public service and of the people. I have already referred to the large reduction in the public works grant as the result of the curtailment enforced by the Government of India, both in the contract assignment and in the estimates. Under "Provincial Loans and Advances," in the Financial Statement of Madras, the following remark is made:—"The Govern- "ment of India has curtailed the grants under this section "to a considerable extent, on the grounds that, in the "special circumstances of the present year, it is not "possible to comply in full with the demands made by "local governments; that as regards loans to munici- "palities the Government has at present no funds to "lend for purposes of water supply and drainage schemes; "that works of the kind should either be put off until "funds are available, or the municipalities should borrow "in the open market."

I need not say how the Central Government's encroachment on the resources of the Provincial Governments retards progress in administrative reform. For some time past, for example, the condition of the clerks in the Taluk establishment, who have the important duty of checking the revenue accounts prepared by the village officers, has attracted the attention of the Government. A provision was made in the Budget of 1896–97 for the improvement of the position of these "Taluk Gumastas," as they are called, but it lapsed that year, and in the Budget of 1897–98 we have it stated that the *decrease* under Criminal Courts follows that under Land Revenue, owing to the *retrenchments* made in the provision for improving the position of the Taluk Gumastas and the travelling allowances of sub-divisional establishments.

For a long time past, public opinion has demanded most emphatically a reform in the present system of combining in the same officer judicial and executive functions. A good deal has been written and spoken about the question, and very high authorities have supported the unanimous demand of the Indian public. The evil is indeed admitted, but the necessary reform is put off on the plea of want of funds. In the Madras Presidency, a

small though important step in the direction of reform has been taken by the appointment of what are called stationary sub-magistrates as distinguished from itinerary magistrates. But a further advance is needed, and want of funds is in the way.

18,905. That, I think, concludes your remarks upon Provincial finance?—Yes.

18,906. Do you consider that the policy of decentralisation and the delegation of large powers to the Provincial Governments tend to economy or the reverse?—They tend to economy in the sense that money is spent to the best effect. I daresay there may be more expenditure absolutely speaking, but the Provincial Governments know how to spend money in order to produce the best effects from the point of view of the people.

18,907. You have practically anticipated in your evidence the point which had attracted my attention. In an earlier part of what you told us to-day, you criticised the increase of expenditure in the Civil Departments, remarking that this expenditure on services which are of direct benefit to the people—education, post office, medical services, police, and roads—shows but a moderate increase. The chief part of the Civil Department increase, I observe, to which your criticism appears to apply, lies with the Provincial Governments, viz., Rx. 3,566,000 against Rx. 1,951,000, the Imperial share?—Yes.

18,908. Those figures look rather as if the increase of expenditure under the Provincial Government was open to a certain extent to your criticism?—Yes.

18,909. Because, if I understand you rightly, that increase lies outside education, medical services, and those services which you rightly describe as beneficial to the people?—Yes.

18,910. Have you any explanation to give of that increase, because, if I am right, it looks as if the provincial expenditure, far from being economical, is the reverse, and not in the direction which you describe as beneficial to the people?—I do not quite understand the point.

18,911. Well, if you look back to page 2 of the note which you gave me you will see "Civil Departments, 1884–5 and 1894–5"?—Yes.

18,912. The total net increase is Rx. 5,517,000?—Yes.

18,913. And the Imperial share is Rx. 1,951,000?—Yes.

18,914. And the provincial, Rx. 3,566,000?—Yes.

18,915. Those are the figures I have just quoted to you?—Yes.

18,916. You said: "The expenditure in the Civil Departments has also grown, a chief feature of this growth being "that the expenditure on services which are of direct "benefit to the people, such as education, post office, "medical service, police, roads, &c., shows but a moderate "increase"?—Yes.

18,917. Now, I should gather from that, that the increase which you criticise does not include expenditure on education and these services; and, therefore, that the increase in provincial expenditure, which is very large, is open to your criticism as not being altogether economical?—But the provincial share has increased, because Provincial Governments have more departments to deal with under civil expenditure. We do not object to the growth of expenditure altogether; but in those departments the growth has been moderate, whereas in other departments with which the Imperial Government is more directly concerned the growth has been more rapid.

18,918. Yes, but, you see, at this time you are pointing out as defects in the financial government of India the large growth of expenditure; and, in the first instance, you point out the growth of military expenditure?—Yes.

18,919. And then you pass on to point out the growth in civil expenditure?—Yes.

18,920. In both, I think you will see, if you read it, your tone is that of a critic?—Yes.

18,921. And you criticise the growth in civil expenditure, remarking that comparatively little of that has gone to the services which are of direct benefit to the people, as you have described it; and, when I come to look at your figures, I see that under Provincial Expenditure there is a large increase, and therefore I would put it to you, does not that look as if the expenditure of Provincial Governments on services which are not specially of direct benefit to the people, as you define it, has increased very largely; and does it not therefore seem as if the financial effect of provincial government was not economical?—In bulk the expenditure has increased, no doubt; but in proportion to the expenditure of the Imperial Government, the increase has been less rapid, more moderate; that is the point.

18,922. But look at the civil expenditure which you mentioned; the growth of the Imperial civil expenditure is under Rx. 2,000,000, while the growth of the provincial civil expenditure is over Rx. 3,500,000?—Yes, because the Provincial Governments have more to do with civil expenditure.

18,923. That is it. You see, you do not make any distinction between them?—Oh no.

18,924. And your criticism appears on your evidence to apply to the whole of the civil expenditure?—To the whole of it.

18,925. And that led me to ask you whether, if that is the case, the Provincial expenditure does not show signs of being uneconomical?—I will not call it uneconomical; anyhow the expenditure has to be incurred, and it grows from year to year.

18,926. Then in that case ought you not to except that increase which arises on the provincial objects, because, you see, you include it in the same line of criticism as the increase in the army and the increase in the Imperial civil expenditure?—I am willing to put it in any way your Lordship suggests; but the point I want to make out is that, while the civil expenditure has increased, still the increase in such departments as those with which the Provincial Governments are more directly concerned has been less rapid and more moderate than the increase in those departments in which the Imperial Government alone is concerned.

18,927. The way in which you put it produced in my mind the impression which, I think, is not what you wanted to convey, viz., that the Provincial Governments were not economical?—That is not the impression that I wanted to convey.

18,928. I did not think you meant to convey that?—No.

18,929. You say that the Government of India in taking 44 crores and giving to the provinces 20 crores takes too much?—Yes.

18,930. Is not this another way of saying that the expenditure on the army is too great?—Oh yes; that means that to that extent.

18,931. Would not your remedy be to reduce the army and give the surplus to the provinces?—Well, I will not put it that way exactly; it might go on gradually from year to year restricting the expenditure of the Imperial Government, placing it under very strict restrictions, while giving more latitude to the Provincial Governments, so that in course of time the disparity might decrease. What I mean is this, my Lord. Now it is 44 crores, and the Provincial Government is 20 crores; perhaps this 44 crores might be kept as it is for some years, and the growth in the Provincial revenues might be given to the Provincial Governments to their exclusive advantage or to a greater degree than it is allowed now; while the proportion would increase on the side of Provincial Governments the increase on the side of the Imperial Government would, more or less, be stationary. In course of time the revenues might become to be divided equally between the Provincial and the Imperial Governments.

18,932. If you are advocating a diminution of the sum now paid to the Imperial Government, 44 crores, and if you give the difference to the Provincial Governments; if further you are not able to reduce the army, the only alternative left to you would be increase of taxation, and I want to get it understood between us that that is not your object?—I will not put it that way; I will not advocate any reduction in the 44 crores, or whatever it may be, to the Imperial Government, but I would certainly put a restriction on this sum being increased in subsequent years.

18,933. I quite understand. You consider that the Imperial expenditure at present is excessive; but, when you are dealing with practical remedies, you do not say that that Imperial expenditure can be reduced all at once, but you say that you can at all events keep it stationary?—Exactly.

18,934. And, if you do that, you can give the whole increase that arises on the revenue to the Provincial Governments?—The most part of it—a much larger proportion than is now allowed.

18,935. I think you remonstrate against the well-to-do provinces having to contribute to the backward provinces?—Yes.

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18,936. How would you meet the case of the backward provinces for which expenditure is needed?—I beg your pardon.

18,937. As I understood you, you objected to the provinces that are in a flourishing financial condition having to contribute towards the provinces that were not paying their way?—That were backward, yes.

18,938. In what way would you deal with the provinces that are not paying their way, because it is clear that from some quarter or other they must have assistance?—They can develop their own resources just as Native States do. Nobody helps the Native States; most of them, when they are well administered, show a very steady progress. These backward provinces might be content with such amount of progress as their resources would allow.

18,939. You would reduce their expenditure within their means?—Within their means.

18,940. But would you not look upon India as a whole, and, if a province is for the time being in a poor condition, is it not fair that it should look to its flourishing neighbours to assist it?—It may be fair within a certain limit, but they are going beyond that. It is not possible to treat all the constituent parts of the Indian Empire on the same basis. They go on adding frontier tracts from time to time. If the most advanced provinces are to wait until the backward provinces are in line with them, they would have to wait too long; their progress would be obstructed.

18,941. I do not want to take provinces which you hold ought not to fall within what I may call the Empire of India proper, such as Burma, which I think has been spoken of as more properly forming a separate government altogether; but I confine myself simply to a province in the centre of India?—Say the Central Provinces.

18,942. Supposing there to be a province in the centre of India which is in a very backward condition, I presume you would admit the principle that it ought to be assisted out of the general revenues of India?—I will not admit that; the Central Provinces are in a more favourable position than Burma.

18,943. I am assuming, for the purpose of our argument, that there is a province within the limits of the Empire of India, which you admit is in a backward condition?—I follow your Lordship. Then in the case of such a province, though it may be a little more backward than the more advanced provinces, still I would certainly make them content with their resources—with what development is possible with the help of their own resources.

18,944. And you would not assist it from the general revenues of India?—Except in special circumstances; if any calamity takes place, such as famine.

18,945. Now, you have taken such a case as education, which you speak of as most important and on which you would like to stimulate expenditure. Take the case of such a province as I have named; supposing that your wish were carried out and that there was a general increase in expenditure on education, would you exclude the backward province from sharing in that increase, and say: "No, you must go uneducated until you can find the "money within your own limits"?—I would confine the education to the resources of the province itself, because I am of opinion that, if properly administered, these provinces have sufficient resources to help them in their advance in education.

18,946. And, therefore, except in the case of famine, which, we all agree, is a purely exceptional case, or some visitation of that kind, you would confine each province to its own resources?—Certainly.

18,947. (*Sir James Peile.*) What would you do about railways? Supposing a railway is wanted across a backward province, would you leave a hiatus in the middle?—No. The Imperial Government might do it, or money might be borrowed on the security of the revenues of the province.

18,948. The revenues of the backward province?—Yes, in fact the system has to be looked at as a whole; if the Provincial Finances system were developed further, it would be quite possible to meet all those cases.

18,949. (*Chairman.*) You advocate loans, I think, to municipalities? I presume, therefore, you draw a distinction between Muncipal loans and loans for railways; am I right in thinking that you would encourage the former and discourage the latter?—I would certainly encourage the former, I cannot say I would discourage the latter altogether. Within certain limits certainly I would be willing to encourage them, but my impression is that they are going faster than is necessary.

18,950. But municipal wants, you think, are so great that you do not grudge loans being made?—Not at all.

18,951. In order to enable them to carry out their reforms?—I do not grudge them, there is great scope for improvement in that way. We want money for drainage, for water supply, for sanitary improvements; and the municipal state of our big cities is so backward that there would be scope for the expenditure of a good deal of money most beneficially.

18,952. And for these purposes you would not even object to borrowing in England?—I would rather object to borrowing in England even for that purpose. I think for the purposes of loans to these municipalities the local markets can be resorted to.

18,953. Of course you confine yourself in saying that to the condition that the local loan must be raised on equally good terms with the terms upon which the loan would be raised in England?—Certainly.

18,594. Supposing that a loan in the neighbourhood of a municipality would be raised at 7 or 8 per cent. and a loan could be obtained from England at 3 per cent., you would not advocate the Indian taxpayer having to pay 7 per cent. instead of three or four?—I would rather prefer higher interest paid on local loans to smaller interest being paid on English and foreign loans, for the great fact that the interest paid on local loans really comes back to the pockets of the people, whereas the interest, although smaller in rate, paid on foreign loans, goes back to the foreign country out of the pockets of the people.

18,955. But if the country is, as you say, being bled, can you justify adding to its wounds inasmuch as the difference between those sums is taken out of the pockets of the taxpayers?—It goes only from one pocket to another; it remains in the country. If the taxpayers grow poorer, other people grow richer, and what is in the pockets of the people is available for subsequent years.

18,956. Do you press that to an extreme; I want to see how far your views go; would you tax the Indian taxpayer in order to pay 20 per cent. to prevent the money going out of the country?—I would put it down as a general policy to be adopted within reasonable limits.

18,957. Exactly; there comes a point when you would not add to the wounds of a bleeding country?—Certainly not.

18,958. Before you pass on; you say that the improvement in exchange in 1896, 1897, and 1898 amounts to very nearly 4 crores, but that of this improvement no portion was utilised for the remission of taxation, though the Government has repeatedly promised a reduction in the salt duties. Do you know that in view of the famine any prospect of reduction of taxation was almost impossible?—Famine is only an accident; famine has no connection with the improvement in exchange.

18,959. Oh no; but you say the improvement in exchange is a saving of expenditure?—Yes.

18,960. And you think that that saving under ordinary circumstances should have been utilised in remitting taxation?—Yes.

18,961. You make it a criticism on the Government that they did not remit taxation, although the famine was immediately impending, and it was almost impossible to remit taxation?—I merely mentioned it as an indication of the policy of Government.

18,962. What you mean to say is, that, had it not been for the famine, it ought to have gone in remission of taxation. Perhaps you mean that you doubt whether it would?—In the previous year they did not remit taxation; there was an improvement in exchange, and there was an improvement in expenditure, and it was not utilised for the remission of taxation.

18,963. Would you now pass on to the growth of expenditure?—It is only natural that in a country like India the cost of Government should grow from year to year, and if the growth of expenditure be marked by due economy, by a due regard to the tax-paying capacity of the people, by a sympathetic examination of the wants of the people, there would be no complaint. But what are the facts? A system of foreign domination, by depriving the people of all substantial voice and share in the administration of their own country, is bleeding it to exhaustion. Enormous military expenditure is allowed to encroach on the resources available for administrative progress; not only has military expenditure increased, the

expenditure under Civil Departments has also increased. The home charges and the indebtedness of the Government are rising. Railway construction is being pushed forward too rapidly with borrowed funds, and compensation allowances are granted to European employés. On the other hand, the famine grant has been reduced. Departments in which people are more directly interested show but a moderate growth of expenditure. The expenditure on education shows but very slight increase. The vast number of clerks and ministerial officers employed in the various departments have had no increase in their salaries within the last 20 years. Sir David Barbour's opinion is that in the construction of railways "we ought to pro- "ceed more slowly when there is apparent prosperity, and "try and avoid those sudden checks which are very "mischevious." The same opinion was expressed by certain non-official members in the Viceregal Council both last year and in the present. In 1881 the amount to be borrowed for railway construction in every year was limited to 2,500,000*l.*, independently of any sums provided out of revenue or by companies. The result of the 1884 Committee was to raise the limit to 2,950,000*l.*, and Mr. S. Jacob said that in some subsequent years the frontier railway policy caused this limit to be exceeded, and in particular years also there were some exceptional charges. This policy has further been pushed on recently. Sir James Westland says, in the last financial statement: "At the "beginning of the year, the Secretary of State gave formal "approval to a programme of railway construction, either "direct by Government or by companies acting under "guarantees of the Government, which covered about "Rx. 28,000,000 of railway expenditure to be spread over "three years, of which 1896–97 was the first. For this "28 crores of expenditure we were to raise in India as much "money as we thought we could conveniently borrow, and "the rest was to be raised in England, either directly by the "Secretary of State or by companies acting under agree- "ments with him. But the amount of 28 crores thus "arranged for does not include the transactions of certain "companies whose relations with Governments do not "involve a direct guarantee by the latter, and which work "under special terms (like the Bengal and North-Western "Railway) or under what are known as branch line terms. "Nor does it include certain small transactions on "provincial account which are charged to revenue." Thus, virtually, much more than the 28 crores that are to be borrowed is proposed to be spent on railway construction during the three years 1896–97, 1897–98, and 1898–99. The revised estimate of the past year shows Rx. 11,228,500, and the Budget of 1897–98 shows an expenditure of Rx. 13,413,800. The Finance Minister thinks that all this expenditure is fully justified. Last year in the Legislative Council, he said: "Taking the "whole of them (Railway transactions), the charge to "Government is only two crores of rupees. I would ask, "simply as a question of policy, whether the possession of "these 20,000 miles of railways is not worth to the people "of India, two crores of rupees. There is not a soul in "the room who would not admit that India would be "better for these railways, even if the people had to pay "ten crores a year instead of two. With reference to "these two crores of rupees, I have also to state that the "loss which we have to bear mostly arises upon railways "constructed on the guaranteed system. The loss a few "years ago was only 70 lakhs of rupees. It has since "mounted to two crores (the amount is now two- "and-three-quarters crores*) mainly because we have to "bear a heavy loss of exchange upon the sterling debt "connected with the older railways. But it is obvious "that this heavy loss has nothing to do with the present "construction of railways. We would have to bear this "loss even if we were not constructing any railways during "the last ten or twenty years. The later construction "and expansion of railways has therefore been, on the "whole, a financial gain." This tone of unqualified confidence is apparently not in accord with the figures which Mr. Stephen Jacob gave to the Committee. He pointed out that a large portion of the capital expenditure on which interest is charged, is not producing any revenue at all. "During nine years ending 1894–5 the accounts of capital "expenditure on lines under construction or surveyed and "unopened lines show a large amount yielding no revenue "at all. The balance remaining at the end of the year on "such lines in 1886–87 was Rx. 3,000,000; in 1887–88 "Rx. 1,500,000; in 1888–89 Rx. 1,000,000; in 1889–90 "Rx. 500,000; in 1890–91 Rx. 1,500,000; in 1891–92 "Rx. 4,000,000; in 1892–93 Rx. 6,500,000; in 1893–94 "Rx. 9,000,000; and in 1894–95 Rx. 11,000,000; so that "there is a burden of Rx. 11,000.000 of capital which at "present is producing either no revenue at all or very little "revenue." This sum is no doubt accumulating, and yet the Government continues to borrow and is constructing some large railways. The Government of course satisfies itself, after due inquiry, that every new line of railway has a reasonable prospect of producing a nett return of at least four per cent. upon the capital expenditure. But the accumulating balance at the end of each year produces no interest and the new railway for some years after construction does not pay. In 1884, three millions of Rx. borrowed were deemed enough to spend annually on the construction of railways. But this sum has now been increased fourfold. Railways, no doubt, confer great benefits on the people, but the question is whether they are worth having at the present price. I am in entire accord with Sir David Barbour in thinking that we should proceed more slowly, and considering how already the sterling debt has increased it is wise not to proceed too rapidly. Almost all the railways recommended by the Famine Commission as protection against famine have been constructed; and for that reason the famine grant has been reduced. I do not see, therefore, the urgency justifying the taxing of the people, who already groan under the weight of taxation, in the construction of railways. The extension of railway communication can afford no consolation to the ryots afflicted by famine and disease, and railways cannot transport grain when there is no grain to be transported. It is time that the Government thought of affording relief to the taxpayer and of devising means by which he can be enabled to increase his earnings. It is said that railways tend to raise the value of produce. As a fact, however, the rupee price of raw produce has not increased in any appreciable manner. There is no natural or healthy rise of price signifying increase of prosperity. Including abnormal years such as famine and drought there is apparent rise, but it does not show the prosperity of the people. If there is a healthy rise due to the prosperity of the people, why are millions of people at the present moment victims of starvation and disease? But after all, an increase in the rupee price is not an unmixed blessing to the mass of the people, for the bulk of the landholders own extremely small properties. In the Presidency of Madras nearly two-thirds of these pay a tax of under ten rupees a year, and it may be taken that these petty properties yield annually less than Rs. 20. To such people a rise in the rupee price of raw produce cannot altogether be a blessing. They sell off a portion of the produce to meet Government dues and most of the remainder goes to satisfy the demands of their creditors. These railways can be worked with considerable economy if they would employ Indians largely in their service. But they do not do so; and consequently the large number of Europeans employed constitute an additional source of drain on the wealth of the people. The railway enterprise in India gives more employment to Europeans than to Indians. There were according to a Parliamentary return of 1892, in all railways 2,448 Europeans* earning salaries of Rs. 1,000 and upwards per annum, the total salaries coming up to Rx. 806,284. There were, however, only 895 Indians who earned salaries of Rs. 1,000 and upwards, their total being Rx. 136,735. Thus not only are the funds for the construction of railways borrowed in a foreign country, but their earnings are appropriated to the extent of nearly a crore of rupees towards the payment of foreigners. India's indebtedness has increased. The increase of debt in England is a serious evil. This latter has increased from 89,008,200*l.* in 1879 to 112,949,546*l.* on the 31st of March 1896. The annual charge on this debt has increased during the same period from 2,532,328*l.* to 3,684,872*l.* For the year 1897–8 "the "requirements of the Secretary of State" (to quote the words of Sir James Westland) "are considerably "enhanced, as he has now to meet heavy charge of the "railway companies against the capital accumulated in

* The actual figures are:—

—	Account 1894-95.	Revised Estimate, 1895-96.	Budget 1896-97.
	Rx.	Rx.	Rx.
Receipts - -	21,244,160	21,674,300	21,583,200
Expenditure -	23,592,649	23,458,000	23,857,500
Net charge -	2,348,489	1,783,700	2,274,300

This result is arrived at after charging in the Railway Revenue Account the following sums on account of exchange:—

	Rx.
Account, 1894–95 - - -	4,774,565
Revised estimate, 1895–96 - - -	4,333,700
Budget, 1896–97 - - - -	4,303,100

(Secretary of State's Financial Statement page 15.)

* This does not include 180 Europeans, with salaries, &c., amounting to 54,522*l.*, not resident in India.

Mr. G. Subramania Iyer.

13 May 1897.

"1896–97. On the other hand our means of meeting his "drawings in India are greatly limited, both by reason of "the adverse circumstances of the year in respect of famine "expenditure and by reason of the heavy railway "programme of expenditure." The Government of India intend to supplement their resources by borrowing four million Rx., but even with this loan it is estimated that the Government will not be able to meet more than 13,000,000*l.* of drawings during the year. The Secretary of State is therefore obliged to have recourse to borrowing, and intends to raise 3,500,000*l.* of permanent debt, besides restoring 1,000,000*l.* by which in the current year (that is 1896–97) he has diminished the temporary debt. These debts go on accumulating, and the Government is regardless of the fact that, besides a large amount having to be paid for interest every year, the amount is paid in a foreign country and does not go to add to the capital of the taxpayers. It is exceedingly deplorable that the gravity of the drain on India's means of living caused by these sterling payments, besides the drain of the salaries paid to European employes in the service of the State and of the railway companies, is not realised, or, if realised the Government is callous to the disastrous results it is producing on the condition of the people. Perhaps I may quote here the opinions expressed by some very competent persons regarding the economical evil of these growing home charges.* The Currency Association that was formed in Calcutta in the year 1894, and of which Sir James Mackay, now a Member of the Secretary of State's Council, was the President, in a communication to the Government of India, made these remarks: "The "burden of home charges has become intolerable, "absorbing, as they do, fully one-third of the total exports "of the country, and there is little evidence of that "compensation which opponents of the currency reform "have sought for in the alleged higher rupee price of the "raw produce and the consequent profit to the cultivator. "India pays her home charges with exports of produce, of "which wheat generally forms an important item; yet "each million pounds sterling of home charges now "absorbs 295,000 tons of wheat against 185,000 tons in "the shipping season of 1885, when the rupee price was "about the same as it was a month ago. In other words "the wheat cultivator of India must now devote 60 per "cent. more labour than formerly to the discharge of the "proportion of the country's foreign indebtedness." Sir David Barbour, writing in the "National Review" of April 1895, remarks: "A very simple calculation will "show that, in order to meet payments fixed in gold, "India has now to give (following Mr. Sauerbeck's "figures) 66 per cent. more produce than would have "been required 20 or 30 years ago. It may be argued "that, if India has to give more produce in order to "discharge her gold debts, she has received compensation "in the form of improvements in production and reduced "cost of carriage. This contention is sound to a certain "extent. I do not think that improved methods of "production come to much in India, but the reduction in "the cost of carriage is considerable. On the whole the "considerations afford compensation for only a fraction of "the additional burden." The reduction in the cost of carriage, I may add, is more beneficial to the foreign capitalists and middlemen than to the ryot, who is not a free agent in the disposal of his produce.

18,964. I think that finishes your remarks on the increase of expenditure?—No, it goes on; only about railways and debt, and the home charges, that I have finished.

18,965. I have been anxious not to interrupt you; this is, however, a convenient point to ask you one or two questions upon what you have been stating to us. Can you tell us on the whole over a long period, say, 30 or 35 years—say since the Mutiny—has taxation increased very much?—It has increased by about 8 crores, I think.

18,966. The taxation, not the increase of consumption?—Taxation, fresh taxation.

18,967. And that would be upon an income of about?—Net income of about 60,000,000, I think.

18,968. A tax revenue of 60,000,000, you mean?—The whole net revenue of the Indian Government is about 64,000,000*l.*

* Gross expenditure in England was in
1894–95 (including exchange) - - - Rx. 28,775,648

Deducting receipts, the net increase
between 1884–5 and 1894–5 is:
Increase in Expenditure, - - - Rx. 1,751,945
" in Exchange - - - Rx. 11,156,304
Rx. 12,908,249

18,969. At the present moment?—At the present moment.

18,970. But if you were to go back to the beginning of the sixties it was considerably less?—Yes, of course.

18,971. Your criticism upon the extension of railways is really more a remonstrance against the outlay of Rx. 10,000,000 a year than against a moderate outlay. May I gather from what you say that you would not be opposed to the laying out of, we will say, the sum formerly attributed to railways, Rx. 2,500,000 a year, or is that too much, do you think?—What I urge is that you must recognise some definite limit and stick to it, the limit being fixed out of due regard to the revenue of the country. I would certainly deprecate an indefinite policy of borrowing constantly in England—in a foreign country.

18,972. With reference to the difference that has taken place in the sums allotted to railways, you mentioned that some time ago Rx. 2,500,000 a year was fixed?—Yes.

18,973. You then criticised the change which has taken place recently, by which, at all events, for a certain number of years the expenditure seems likely to be Rx. 10,000,000, and probably more?—Yes.

18,974. I wanted to gather from you whether, in saying so, your criticism was confined to this increase of railway expenditure, and whether you are satisfied that the sum of Rx. 2,500,000 was reasonable, or whether you objected not only to the Rx. 10,000,000, but to the Rx. 2,500,000?—Well, I cannot say exactly that I object to the Rx. 2,500,000 proposed. It might be a moderate expenditure, but what I objected to was this constant increase and want of definite policy in regard to the maximum expenditure upon railways.

18,975. Would you explain a little more fully what you mean by "the extension of railway communication can "afford no consolation to the ryots afflicted by famine and "disease, and railways cannot transport grain when "there is no grain to be transported"?—What I meant was that the advantages of railway communication to the cultivators are rather exaggerated. They are of use, no doubt, in transporting produce from a fertile and prosperous district to another district which is not so fertile and prosperous; but, after all, railways can only transport grain when we have good harvests in the country, they cannot form an absolute protection against famine.

18,976. But would not one assume from that that you were under the impression at the present moment that the whole of India is suffering under famine, because you say that "the extension of railway communication can "afford no consolation to the ryots afflicted by famine "and disease, and railways cannot transport grain when "there is no grain to be transported." The only meaning that you can put upon that that I can see is that the whole of India is afflicted by famine and disease, and that there is no surplus in any part of India which can be transported to a district which is in need of such grain?—That is not my meaning.

18,977. Your meaning would go further; your words really would come to this, that there is famine all over the world, and that there is no surplus of grain in the world. We must assume that famines will be restricted to certain districts, that they will not be common to either all India or to all the world. If that be so, there would be a surplus of grain somewhere, and surely improved means of transport will, in that case, be the means of saving life, which I suppose is what we all have in view?—Certainly, to that extent, railways are beneficial.

18,978. (*Sir James Peile.*) Have you ever heard of a railway to transport grain and no grain to be transported?—No, people are under the impression that railways are a great protection to famine-stricken people apart from their condition. That is what I want to bring out, merely because railways are constructed from year to year, they will not give an absolute guarantee against famine occurring in the country, famine being due to other causes.

18,979. Not against famine certainly, but they are a guarantee against one province being in want of food and not being able to get it from another province?—But, if both provinces did not produce sufficient grain for the wants of both, railways would not help much.

18,980. Has that case ever arisen; in the present year has India had to import grain from America to feed the people, or has there been sufficient to feed the people in India?—I think some grain came from Burmah.

18,981. Burmah is part of India?—Yes.

18,982. (*Chairman.*) Take this terrible famine which is now prevalent, does it affect the Presidency with which

you are acquainted ?—To some extent, three districts in my Province are affected, those bordering on the Southern limit of the Bombay Presidency.

18,983. Then I suppose there is probably a fair surplus of grain in Madras, is there not, which might be taken to the afflicted districts ?—Yes.

18,984. Supposing you were to go back 50 years, when there were no railways, the people who will be kept alive by that surplus produce from Madras would in that case have died ?—Let me make my meaning clear. I do not at all deny the advantages of railways in regard to their being able to transport grain from a fertile and prosperous district to another which is not so fertile and prosperous. Certainly in that way railways have been of great advantage, and the difference between the famine now and the famine of the past—20 years ago—is due to that fact, and it has been a great help to the Government and to the people; but what I say is, where there is no produce in the country, unless there is surplus produce, railways cannot be of much help.

18,985. Yes, but then there is always surplus produce ?—Not always. I do not believe any definite opinion has been arrived at on that.

18,986. There must be surplus produce unless the whole of India is affected at one time by famine; and even then your argument, if I may put it to you, fails unless the whole of the world is affected by famine, because, supposing the whole of India were afflicted by famine, there would be the means of transporting grain, we will say, from Argentina. But, if there were no railroads in India, that surplus of grain from Argentina would be useless ?—I quite admit that.

18,987. And, therefore, when you say that the extension of railway communication is useless, because railways cannot transport grain when there is no grain to be transported, you are putting an impossible case, a case that could not possibly occur, are you not ?—I cannot quite follow that.

18,988. That is to say that we are to assume that one of these days the whole of India will be afflicted by famine, the whole of Argentina and South America, the whole of North America, and every exporting country; there is no grain to transport. As long as there is a surplus of grain to transport, clearly railroads will be of use ?—Confining our view to India, I think it is quite possible that a very large portion of the country might produce less grain than is required for the consumption of the whole population.

18,989. And then India would draw upon other countries, where there was a surplus of grain ?—Oh, yes.

18,990. And therefore the case which you put, namely, that railways cannot transport grain when there is no grain to be transported, is an impossible case ?—If you include the whole world, of course.

18,991. Quite so. Now you say that it is time the Government thought of affording relief to the taxpayer, and of devising means by which he can be enabled to increase his earnings; have you any view as to the manner in which Government might enable the taxpayer to increase his earnings ?—Well, what I had in my mind was to encourage other occupations than agriculture. Industrial education might be given to them, and they might be made fit to pursue other occupations than agriculture, which unfortunately is the sole occupation of the great bulk of the population.

18,992. You have put considerable stress upon the opening up of new sources of employment ?—Oh, yes.

18,993. Would you grudge the borrowing of money if it effected that object ?—Well, I object to the borrowing of money in sterling in a foreign country.

18,994. And therefore, India not being able to find this money herself, you confine yourself to a pious wish, that is to say, you impose upon the Government a task which could not be performed, inasmuch as it would not be able to get the money ?—No, not exactly so. If more latitude were given to Provincial Governments or expenditure in other directions were brought under effective control, then perhaps there would be more funds available for a purpose of this kind.

18,995. That assumes—it is a perfectly legitimate argument—that the expenditure can be reduced ?—Oh, yes.

18,996. On the other hand, authorities to which weight must be attached do not think it could be reduced ?—No, they do not think so.

18,997. Therefore, it is relying upon very uncertain resources if the only method by which this can be done is by reducing expenditure, because I gather it is only military expenditure and the expenditure of foreign employés that you would reduce; in the other services I see you contemplate a considerable increase, education and so forth ?—Yes. I am not sure that all authorities are unanimous in thinking that expenditure on the Army cannot be reduced.

18,998. No, I do not mean that; what I mean is that there is a very great division of opinion upon it ?—Yes.

18,999. And highly expert opinion doubts it ?—Yes.

19,000. Civilians, though they are quite at liberty to say the country cannot bear such taxation for military purposes, must be rather modest about saying in the presence of a competent military authority that what military authority thinks necessary is unnecessary, must they not ?—Certainly, one should be modest about expressing one's opinions on a question of that kind, but still due weight must be given to opinions coming from those quarters.

19,001. Oh, certainly ?—Nor am I sure that all expenditure in the Provincial Department is satisfactory; there are directions in which more moderate expenditure would suffice.

19,002. But you, yourself, on the other hand, would considerably increase the expenditure on those services which you say would be of benefit to the people ?—Yes, certainly.

19,003. So that that, therefore, narrows the economy which you think might be effected ?—Yes, it does.

19,004. Are you correct when you say that the price of produce has not increased in any appreciable manner ?—I think so.

19,005. Well, I have here the prices ranging from 1861 to 1895 ?—Yes.

19,006. And I take as an article of produce which is largely sold for transport abroad, and therefore not so much used by the people—wheat. I look down the return. It states the price between 1871 and 1875 as a hundred, and it compares the prices in the other series of years with that hundred. Now, it is not worked up to a percentage of the whole of India, and therefore I can only give you the result of different districts ?—What years does your Lordship take ?

19,007. Between 1861 and 1865 there are very few instances indeed in which the price comes up to a hundred. Of course, from 1871 to 1875 it is a hundred all the way down; when we come on to 1891 to 1895 there is hardly a case in which the price is not very considerably over a hundred. As in the sixties, the price was very much below 100, so it is now very much above ?—Yes.

19,008. That appears to me to establish a very notable increase in the value of wheat; in fact, it comes to something very near double. Perhaps it is not so striking, but it is very nearly as striking, in rice ?—Yes.

19,009. And this is a very extensive return. I think, if you were to look at it, you would admit that prices have increased; look at it; you can comment upon it another day ?—In the first place I say it has not increased in an appreciable manner.

19,010. I call double, appreciable ?—Yes. These figures, I am afraid, are rather misleading, somewhat misleading. They do not make due allowance for the fact that the prices in out of the way places and villages are not the same that they are in big towns and in the places where great public works are in progress; therefore, I think, if we take the places where the bulk of the population live, it will be found that the prices have not there much increased, that is the point.

19,011. Quite so; and your policy of stopping railways, no doubt, is eminently calculated to make that perpetual. Directly you bring a railway into a district you establish a community of price, or very nearly a community of price, throughout the district served by it. To stop the railroads is to keep prices low in out-of-the-way districts ?—Yes, but I must take the liberty of altering an impression in your Lordship's breast; I am not against the policy of increasing the railways at all.

(*Chairman.*) You come very near it.

19,012. (*Sir James Peile.*) I would put it the other way. I dispute entirely your statement that the prices in the villages have not risen. I say since the construction of railways, say from 1850 onwards, the prices of produce in the country towns and in the country districts have risen enormously. In every revision of settlement that we undertake, the principal factor is whether there has been an increase of prices or not since the previous settlement, and the prices are most carefully ascertained in the Taluka towns, and compared with those of the villages; and we

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arrive at the result that there has been a very great increase, and this has been found to be due to the opening out of the country by railways in every direction. It brings into the market produce which formerly used to rot on the ground, because it could not be sold?—Yes, exactly, but you must permit me to observe that we have not much faith in the calculation of prices that settlement officers make.

19,013. They are taken from the records of the Taluka towns which are regularly compiled?—They do not make due allowance for abnormal seasons.

(*Sir James Peile.*) Oh, pardon me, we always specially note the famine years, of course, and take them out in getting an average. We are not so stupid as to go on the prices of a famine year.

19,014. (*Chairman.*) When you look at that return, you will see the great number of districts over which it extends. The prices in these districts, at all events, have risen very much?—I admit the rise in prices, but I would qualify it by the fact that much of the rise is due to abnormal seasons, drought and famine, and big cities where large public works are being carried out.

(*Sir James Peile.*) And railways are constructed.

19,015. (*Chairman.*) Now, you say an increase in the rupee price is not an unmixed blessing to the mass of the people. Is it not the case that at all events for a fixed term the tax is fixed in rupees?—Yes.

19,016. Then, if during that term the prices of produce increased, supposing that it is doubled, the producer may get, or would get, a considerably enhanced price in rupees, while he was only paying in taxes the same number of rupees as before. Consequently, in that case, surely the rise in the price of his produce must be a benefit to him?—Yes, but the great fact is in the economical condition of these petty landholders, such as I refer to: they have hardly any grain to sell, what little they get they sell away for the purpose of paying the Government due, and the portion they give away to their sowkar, perhaps they keep a little for their own consumption, but they have little to sell—unless they sell their produce they cannot benefit much by increased prices.

19,017. (*Sir James Peile.*) Well, they take enough to support themselves, and the balance they sell?—They have hardly any balance.

19,018. They must have a balance to pay their land assessment?—That does not go to their benefit.

19,019. Does it not?—No.

19,020. (*Chairman.*) Suppose a man raises 20 bushels a year, and supposing 10 bushels are necessary for his own support, and the remaining 10 bushels are available to pay his land tax of, say, one rupee. If at the beginning of the time the 10 bushels are worth five rupees, while at the end of the time these 10 bushels are worth 10 rupees, since his tax remains only the same he is so much the better by the difference?—I can follow the difference, but the result is he trenches on the balance for his subsistence; unless the produce increases from year to year, it gives him no benefit.

19,021. Still, if he has only to pay the same taxes, and if the price of the produce rises, the taxes remaining the same, he clearly has benefited by the difference?—In that way he is benefited, no doubt; so far as he has to sell a less quantity to meet the Government demand, he benefits.

19,022. You use later, perfectly legitimately, the argument in the contrary sense. You say what Sir David Barbour says, that the taxpayer in India has to produce now so many more bushels of wheat than he did formerly in order to pay the sterling charges over here?—Yes.

19,023. Of course, if that is good in the one case, it must equally apply in the converse?—There is also the fact, my Lord, that meanwhile the indebtedness of the ryot increases; he has to pay more interest to the *sowkar*.

19,024. The indebtedness of the ryot is increasing to the middle-man?—He has constantly to borrow money for the payment of Government taxes; much of the balance is taken up by the payment to his creditor.

19,025. (*Sir James Peile.*) But what is the proof that that happens? What proof do you offer that his indebtedness is always increasing?—I do not know whether I said always increasing, but it seems to be generally admitted, even by Government, that the ryots are a good deal indebted.

19,026. Yes, they always have been, I think, from the beginning of history?—If a man does not pay debt, every debt has a quality of increasing its burden from year to year. He pays interest and compound interest, and goes on adding to his burden; that is an essential factor, I think.

19,027. (*Chairman.*) I think now you would wish to offer some remarks on the exchange compensation allowance?—Yes. I entirely agree with Mr. Wacha and Mr. Gokhale in the remarks they have made regarding the exchange compensation allowance. There was absolutely no justification whatever for diverting more than a crore of rupees of the taxpayers' money for the benefit of a class of officials who were already paid on an exceedingly liberal scale, such as is known in no other country. There was some hardship, no doubt, caused by dear exchange; but the hardship was greatly exaggerated, and no regard was paid to the fact that the Indian taxpayers, through Government, were suffering far more from the depreciation of the silver currency than the officials themselves. Even the Uncovenanted Civil Servants, whose pay and pension are fixed in rupees, were paid this compensation. Professor Gokhale points out that the concession in regard to those whose salaries are fixed by statute in rupees is illegal, and the question of their legality or otherwise is under consideration. If the English official suffered loss in his remittances to England, the taxpayers, who had to meet the sterling charges of the Government, had to suffer even a more serious loss. The Indian taxpayer is an exceedingly poor person, whereas the English official is an exceedingly well remunerated person for his service. The considerations which prevailed when the present salaries were fixed more than 120 years ago, do not possess the same weight now. The English official in India is no longer an exile, and India is not for him a land of woes. I believe it is also a fact that living in England has within the last 20 years become cheaper, so that that portion of the Anglo-Indian official's family remaining in England can now live on reduced amounts. The payment of these allowances rendered the imposition of import duties necessary. In the Budget estimates of 1894–95 they amounted to Rx. 1,113,300, and the new taxation imposed was expected to bring in Rx. 1,140,000. In fact the whole transaction looks like one prompted by selfishness, and, looking to the special circumstances of the time then, shows an extreme want of sympathy with suffering people. Since they became a regular item of public expenditure the Provincial Governments have been badly handicapped, a good deal of the margin between their revenue and expenditure being absorbed by these allowances. The amount borne by the local governments on this account was, in 1894–95, Rx. 423,700.

19,028. (*Sir James Peile.*) I think you said just now that the salaries of the civil servants have not been altered for a hundred years, did you not?—Yes.

19,029. That is to say, they have had no increase all the time in the rate of pay?—Yes.

19,030. Now, if, in the course of 20 years, or say 25 years from 1873, the value of those salaries falls very largely, do you not think there is some propriety in bringing the salaries up to, at any rate, what they were a hundred years ago?—It will all depend upon circumstances; if you can increase their salaries without injury to other people, perhaps you might; but it cannot be said you might increase it from any absolute standard.

19,031. Suppose it is just to increase the salaries?—Whether it is just or not.

19,032. And that that involves larger expenditure from public revenues; do you not think it is right, notwithstanding, to spend the money?—No, I do not think so; if it involves injustice to other people, whose case is more hard, I cannot say that it is just.

19,033. Is it not the case that the salaries of the natives, the subordinate officials, have been very considerably increased in the last 30 or 40 years?—I do not know to what class of native officials you refer.

19,034. I would take the whole of them, take them in the different departments. One with another, there have been immense revisions and increases of pay; the pay is much higher than it used to be?—I think it was admitted in evidence that the pay of sub-ministerial officials, such as clerks and so on, have not been increased.

19,035. I was looking more to subordinate judges, tahsildars and the like?—I am not sure that their salaries have been increased, individual men have been appointed no doubt. This ought to be borne in mind with regard to the English officials and native gentlemen. When the salaries of English officials were fixed, they were fixed at maximum rates in order to attract the best gentlemen possible to the service of the country; on the other hand, when the native gentlemen were admitted to the service,

the salaries of native officials were fixed at the minimum rates, the minimum salaries that would attract native gentlemen of the class that was desirable to introduce, and, if a slight increase has taken place in their salaries which were at the outset fixed at minimum rates, it does not follow that an increase should take place in the salaries of the English officials whose salaries were fixed at the maximum rates, proportionately or otherwise.

19,036. You would admit that the native salaries have been increased in order to attract the right men?—I am not sure that they have been increased.

19,037. Perhaps you have not looked into it, because I could very easily bring a great deal of evidence before you of that fact?—The impression that has been left upon my mind after reading the evidence before the Commission was that the increase under salaries and so forth was rather due to the additional hands employed than to the increase of salaries. There might have been an increase of salaries in a few isolated cases.

19,038. Not isolated cases, but in many departments the whole of them?—Perhaps the increase was made at the time when there was no hardship in making an increase, but it does not follow at all, having regard to the circumstances of the time, that those increases should be given to those officials. I do not admit the two can go together.

19,039. Do you not admit then that, if you allow the emoluments of any service to fall greatly below their former value, you very soon get an inferior class of men offering to take these appointments?—It may follow or it may not follow; it all depends upon the market from which you draw your officials.

19,040. Then you would have to give the market price, would you not?—Certainly.

19,041. I suppose that you are aware that barrister judges and other gentlemen who are engaged in India, are paid at a higher rate than the Civil Service men?—It may be so, but I thought that the Civil Service had always more attraction than the other professions you were referring to. Young men in England prefer to enter the Civil Service of India rather than take up the Bar or other professions.

19,042. Still, when you want a man out there, say a judge for the High Court, you pay him better than you pay the Civilian?—Judges I should treat exceptionally. I do not believe their case is on a parallel with the body of English officials in India. They have got so many advantages and facilities which afford more than a recompense.

19,043. What is the advantage? The pension?—Their allowances and pensions, and the power which they enjoy, and other things.

19,044. Well, the barrister-judge gets a higher pension for less service than a civilian does?—I said I would rather treat the judges of the High Court as an exceptional case.

19,045. (*Chairman.*) I think your next point is increase of taxation?—Yes, since the year 1884–85 there has been an increase of Rx. 5,500,000 in the Imperial Revenues due to additional taxation. If the Provincial Revenues were taken into account the total increase would be more than Rx. 7,000,000. This does not include Land Revenue, which has increased within the last ten years from Rx. 21,832,211 to Rx. 25,408,272 excluding the revenue due to irrigation.

19,046. May I ask there, does that include any fresh land that may come into assessment?—To a very small extent it may be so, but the bulk of the increase is due to increased assessment.

19,047. Revision?—A portion of the increase is due no doubt to the annexation of Burma. But Upper Burma brings no addition to the revenues of the State. Including its military charges, it is unable to meet all its expenditure. The annexation of that province has brought no good to the Indian people. They did not want it and they have not been profited by it. The annexation was made for purposes connected with Imperial interests, and the Indian people would be very glad to see the two Burmas taken away from the Indian Government altogether and constituted into a protected Crown Colony.*

19,048. Is the deficiency charged upon other provinces of India, upon the general revenue of India?—Upon the general revenue of India. Though the money and the men that were needed for the conquest and pacification of Burma were supplied by the Indian taxpayers, the Indians are excluded from the public service, the higher appointments being exclusively held by Europeans. To add insult to injury, it is seriously said that the Burmese have contempt for Indians, and would dislike their employment in the services of their country. Burma has appropriated a good portion of the increased proceeds of taxation, and the rest has been mostly spent for military purposes and for compensation allowance to European *employés;* whereas the increase of expenditure has been very moderate on the education of the people, on the protection of life and property, on the extension of communication in rural areas, on irrigation works, and on the cheapening and rendering more accessible of the administration of justice—which are services, I need hardly add, more appreciated by the people.

19,049. You say the Burmese have a contempt for Indians; has that been put forward by any responsible persons?—Yes, I think the present Lieutenant-Governor of the Burmese province said so in his note on the simultaneous examination question. I am not sure that the present Lieutenant-Governor said so, my memory is that somebody holding a very important position said it.

19,050. (*Sir James Peile.*) A good many Indians are employed in Burma as armed police, are they not?—I referred to higher appointments, I say so in my note. The Indians are excluded from the public service, the higher appointments being exclusively held by Europeans. There are only two native civilians in Burma. I think Sir Frederick Fryer recommended that these two civilians should be withdrawn.

19,051. (*Chairman.*) Well now, does not Lower Burma pay its way?—I think it does.

19,052. And is it not also anticipated by officials that gradually this large charge which Upper Burma imposes upon the revenues of India will be diminished as the country becomes settled?—It will be diminished, no doubt, but it will take a long time, and, as Government think backward provinces should be advanced at the expense of the advanced provinces, they will be always a source of drain on the other provinces.

19,053. You have not got any figures, I suppose, to show what has been the increase of expenditure on those services that you say are beneficial and appreciated by the people?—I have got some figures about the education and the police. I have not made up my figures about other Departments, but I have some notes upon the Education Department and the police of my province.

19,053A. You speak of the expenditure on the extension of communication in rural areas?—Yes.

19,054. The value of them is what you have been rather minimizing I think before, have you not?—I do not think so.

19,055. I thought you had not been laying any stress on the importance of carrying railway communication up into the rural districts?—The importance of railways, my Lord, here I refer more to roads.

19,056. You advocate the extension of roads, but you do not lay so much stress upon the opening up of the country by railroads?—Not so much stress.

19,057. I am aware that you are in favour of the gradual extension of railways?—Yes.

19,058. And therefore, I say you do not lay so much stress on the rapid opening up of the country by railways?—So rapid as is now pursued by the Government.

* Net expenditure of Upper Burma:—

	Rx.
1886-87	2,068,700
1887-88	2,618,300
1888-89	1,695,600
1889-90	1,333,900
Revised Estimate of 1890-91	1,156,800
Budget Estimate of 1891-92	1,189,300
Total in 6 years	Rx. 10,062,600

The witness withdrew.

(Adjourned till Monday next at 11 a.m.)

At the India Office, S.W.

FORTY-SIXTH DAY.

Monday, 17th May, 1897.

PRESENT:

THE LORD WELBY, G.C.B. (CHAIRMAN, PRESIDING).

The Right Hon. LEONARD COURTNEY, M.P.
Sir WILLIAM WEDDERBURN, Bart., M.P.
Field-Marshal Sir DONALD STEWART, Bart., G.C.B., G.C.S.I.
Sir E. W. HAMILTON, K.C.B.
Sir RALPH KNOX, K.C.B.
Sir JAMES PEILE, K.C.S.I.
Sir ANDREW SCOBLE, K.C.S.I., Q.C., M.P.
Mr. G. L. RYDER, C.B.
Mr. T. R. BUCHANAN, M.P.
Mr. W. S. CAINE.
Mr. DADABHAI NAOROJI.
Mr. R. G. C. MOWBRAY.

Mr. COLIN G. CAMPBELL, *Secretary*.

Mr. SURENDRANATH BANERJEA called in and examined.

Mr. Surendranath Banerjea.

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19,059. (*Chairman.*) Mr. Banerjea, in what capacity do you come before the Commission?—I am Honorary Secretary of the Indian Association, and have been so for the last ten years. The Indian Association is a political body which has in view the promotion of the political advancement of the people by every legitimate and constitutional means. It was founded in Calcutta in 1876, and has branch and affiliated associations in different parts of the country. I am also a member of the Bengal Legislative Council, and have been so for the last four years, having been twice elected by the Calcutta Corporation, of which I am a member. I am also Honorary Presidency Magistrate and Justice of the Peace for the town of Calcutta, and Honorary Magistrate of Barrackpur. I am Chairman of the North Barrackpur Municipality, am editor of the "Bengalee," a weekly newspaper in English published in Calcutta, and am proprietor of the Ripon College (which is an unaided independent college, teaching up to the B.A. and B.L. Standards), and its branches. I was President of the Indian National Congress in December 1895.

19,060. Do you consider the existing financial control adequate?—No, and my reasons are these: Sir Auckland Colvin observes in the course of the evidence given by him before the Royal Commission, that Government do not pay sufficient attention to what may be the financial results of the measures they adopt (Q. 2909, Vol. I., Final Report. page 119); and both Sir Auckland Colvin and Sir David Barbour are agreed that heads of departments do not take sufficient note of the financial aspects of questions. The Finance Member, who is responsible for the financial well-being of the country, often finds himself as one against all his colleagues.

19,061. May I ask you on this point, whether you think the evidence which has been given before us entirely bears out that statement? I think some of the witnesses who appeared gave us to understand that it could hardly be said that the Finance Minister was often left alone?—The witnesses to whom your Lordship refers came before Sir Auckland Colvin and Sir David Barbour.

19,062. As a matter of fact I think some of them came after?—I thought your Lordship was referring to Lord Ripon's evidence.

19,063. No, Lord Ripon's evidence came very much after?—Having regard to the quarter from which that evidence has come, the highest finance authority in the Government of India—I am speaking as a representative of the people of India—we are bound to give the utmost possible weight and importance to that evidence.

19,064. That is to say, you take Sir Auckland Colvin's evidence, but you must remember that equally high financial authorities have not gone quite so far?—May I inquire if they were Finance Members?

19,065. Yes, I think they were; I have not the reference at the present moment, but my recollection is that some of those have been Finance Members?—I should like to know the exact details before I should make any qualification of that statement.

19,066. (*Sir Andrew Scoble.*) Might we not take it that Mr. Banerjea is merely giving the impression he has derived from the evidence of Sir Auckland Colvin and Sir David Barbour; he does not put it higher than that?—Precisely so. The situation is complicated by the fact that military expenditure is the most disturbing element in the problem, that such expenditure is too often governed by political considerations, and that his Excellency the Viceroy is personally in charge of the Political Department.

19,067. (*Chairman.*) What do you mean by political considerations; foreign relations?—Military considerations; that is to say, those considerations which guide the policy of the Government in regard to foreign matters.

19,068. That being so, is not expenditure on defence in every country governed greatly by considerations of foreign relations?—Certainly so, and in India it is so; that is what I wish to state. The Secretary of State, no doubt, may be found to be on the side of economy, though he may take a different view when the Viceroy is opposed to the Finance Member. But when the Secretary of State himself sanctions expenditure which is open to objection, whether on the ground of equity or law, there is no constituted authority to act as a check.

19,069. Has not the Indian Council a check on the Secretary of State in questions of finance?—The Secretary of State, I understand, can act independently of the Indian Council in matters of finance, can he not?

19,070. (*Sir James Peile.*) How do you make that out?—I want to ask that question.

19,071. We want to know from you?—If the Secretary of State and the Indian Council are together with reference to any matter, then there is absolutely nothing to check or control them—for instance, with reference to the Suakin expedition.

19,072. (*Sir Andrew Scoble.*) Allow me to interpose one question. Suppose the Secretary of State and the Indian Council were agreed upon a foreign policy, might they not be overruled by the Cabinet or by Parliament?—Certainly.

19,073. Then there is some control?—In theory there is, but that control in practice is not enforced; that is what we say.

19,074. Are you able to show from historical study that that has never been enforced?—No.

19,075. That is your impression again? — Yes; generally speaking, no control is enforced.

19,076. But that is only your impression?—That is not only my impression, but it is an impression which I should like to say is largely shared by my countrymen; I do not know that there are instances to the contrary which are inconsistent with that impression.

19,077. (*Sir James Peile.*) The Secretary of State must have a majority of the Council with him before he can spend a rupee of the revenues of India?—That is so.

19,078. (*Chairman.*) Therefore there is a check on the Secretary of State?—If the Secretary of State and the majority of the Council are at one in regard to any particular matter, there is no check except the check and control of Parliament, and the control of Parliament is a check which is not generally enforced; and very often when the Secretary of State and the Council are at one, he carries out the policy of the Government.

19,079. (*Sir Andrew Scoble.*) What would you suggest in the place of that check?—I am coming to that presently; I develope that as I go on.

19,080. (*Chairman.*) You say, "when the Secretary "himself sanctions expenditure which is open to "objection, whether on the ground of equity or law, "there is no constituted authority to act as a check"?—With the concurrence of the Council, of course; the majority of the Council.

19,081. That is a very important qualification, is it not?—What I mean to say is this: if the Secretary of State takes a decided and pronounced view with regard to any matter, the probability is that the Council would follow his lead. As a matter of fact the Council generally follows; therefore, practically, the power is vested in the Secretary of State. That is all I want to say.

19,082. Are you able to say that the Secretary of State invariably carries the majority of the Council with him?—I cannot say invariably; I do not think I should be justified in saying it, but in the large majority of cases, the voice of the Secretary of State would be the voice of the Council.

19,083. (*Sir Andrew Scoble,*) Is it not the presumption that, if the Secretary of State carries the majority of the Council with him, he is taking the right view of the position of affairs; is not that a fair presumption?—I do not know that we should be justified in making that presumption, having regard to the constitution of the Council of the Secretary of State.

19,084. Do you think you would be justified in forming a presumption to the contrary?—Not at all; I would go upon the facts as they appear in each case. I would form no presumption. The 55th Section of the Government of India Act lays down that, "except "for preventing or repelling an actual invasion of "Her Majesty's Indian Possessions, or under other "sudden or urgent necessity, the revenues of India "shall not without the consent of both Houses of "Parliament be applicable to defray the expenses "of any military operation carried on beyond the "external frontiers of such possessions by Her Majesty's "forces charged upon such revenues." The object of this enactment, as stated by Lord Derby, who was in charge of the Bill in the House of Lords, is "to protect "the Indian revenues." There have, however, been instances in which the spirit, if not the letter, of the Government of India Act has been departed from, and with the full "concurrence of the Secretary of State."

19,085. (*Chairman.*) Would you name one of the instances to which you allude?—Suakim is certainly one in which the spirit of the Parliamentary enactment was departed from. In England, if any irregular expenditure is incurred, it is at once reported to the House of Commons. The prospect of Parliamentary interference, and of the criticisms of the opposition, would act as a check upon irregular expenditure. As regards Indian finance, however, no machinery is provided for independent and effective control. A private member may indeed bring up any question of Indian finance before the House; but it is one thing for a private member to act upon his own independent and personal responsibility, and quite a different thing for a duly constituted Parliamentary Committee to look regularly into the accounts of the Indian Government. The so-called Parliamentary control over Indian expenditure is regarded by Indian public opinion as being practically without any value. The Indian Budget is discussed towards the fag end of the Session before empty benches. As the late Mr. George Yule observed in his own felicitous language: "The 650 "odd members who were to be the palladium of India's "rights and liberties have thrown 'the great and "'solemn trust of an inscrutable Providence back "'upon the hands of Providence to be looked after as "'Providence itself thinks best.' The affairs of India, "especially in the Financial Department, have passed "with no kind of check whatever into the hands of the "Secretary of State."

19,086. After the conversation which has taken place, do you still put that in that unqualified manner—"with no kind of check whatever"; you have admitted, to a certain extent, that that is not quite correct?—Theoretically I admit there is a certain check.

19,087. And it has been pointed out to you that the Secretary of State cannot, without a majority of the Council, order a rupee of expenditure. With these facts before you, to which I do not think you have demurred——?—Certainly not, because they are facts.

19,088. Are you prepared to use those words in that unqualified manner?—I am quoting Mr. George Yule, who says that the affairs of India, especially in the Financial Department, have passed with no kind of check whatever into the hands of the Secretary of State.

(*Chairman.*) Oh, I beg your pardon.

19,089. (*Sir Andrew Scoble.*) Who is Mr. Yule?—He was President of the Bengal Chamber of Commerce, Sheriff of Calcutta, Member of the Viceregal Council, and he became in 1888——

19,090. I do not think he was a Member of the Viceroy's Council?—Not at the time, perhaps, when you were there, but he certainly, so far as I know, was a Member of the Viceregal Council, and he was Sheriff of Calcutta, and he was senior partner in the firm of Andrew Yule & Co.; he was a most respected European resident of Calcutta. He says:—"I do "not blame the present members of the House of "Commons for thus abdicating the functions that "their predecessors of 30 years ago assumed. The "truth is they have no time to attend to the details "of the trust (page 74, Congress Report of 1888)." But, though Parliament might pay but little attention to Indian affairs, a Committee of the House charged with the particular duty would do justice to it. Under the enlarged Councils Act of 1892, the Legislative Council of India discusses the Indian Budget, and the Provincial Councils discuss the Provincial Budgets, but they are precluded from moving any resolution or dividing the Council in respect of any financial question. Even official experts are of opinion (*vide* evidence of Sir Auckland Colvin) that not much benefit is derived either to the people or the Government from these Budget debates. The utility of the discussion of the Budget in the Provincial Councils is considerably diminished when it is borne in mind that the Budget is discussed under the orders of the Government of India only after it has received the sanction of the Government.

19,091. (*Chairman.*) I can quite understand your holding that the right to propose amendments is of great importance, but do you not somewhat underrate the value of the independent action of members who have the power to bring questions before the Council?—I do not mean to say it does no good whatsoever. We certainly exercise—I am speaking as an independent member of the Council myself—we certainly exercise some kind of moral pressure, but, if we could move amendments with regard to items of expenditure, it would be a great improvement. Take the question of education, for instance, about which we feel so strongly. If the Government put down, say, 24 lakhs of rupees as the educational expenditure of the year, and we say that it should not be 24, but 28 lakhs which should be budgeted for, and we point out details which would justify that expenditure, it would be a great advantage—at the present moment all we can do is to make speeches.

19,092. (*Sir Andrew Scoble.*) Then you want more power than the House of Commons possesses in regard to the English Budget?—I do not know exactly what the constitution of the House of Commons is in this respect; I am speaking of the Indian Councils.

19,093. The House of Commons can only reduce, and cannot increase expenditure—It can only reduce?

19,094. (*Chairman.*) The House of Commons cannot propose a vote increasing expenditure?—In that case

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it would be, I am afraid, in excess of the power of the House of Commons.

19,095. Therefore, you are pleading for power in excess of that possessed by the House of Commons?—I should not like to appeal for power which the House of Commons does not possess, but we might limit it to that only; that we might not move amendments which would add to the expenditure, but that we might move amendments which would reduce expenditure. I think we might do that. I should not have the slightest objection to qualify my statement in that way; but at the present moment all I complain of, and what the Members of Council complain of, is this, that we make speeches upon the Budget, but that we are not permitted to move the smallest amendment with regard to the most insignificant item in the Budget. I do not see any reason why this should not be granted to us, having regard to the fact that Government has a standing majority in the Councils.

19,096. Do you not think that the expression of opinion by the non-official members, if they are unanimous on the point, is an indication of popular opinion which the Government would certainly take into consideration?—Certainly it is an indication, but what we want is to appeal to the public as well as to Government. If we had a definite amendment to move—they have not the time to read all our speeches; but, if we had the right to move a definite amendment with regard to any particular matter, that amendment would catch the eye of the public, and the public attention would be drawn to it. It would focus the opinions of the non-official members in such a practical form as to attract public attention at once. That is the view that we desire to put forward.

19,097. With regard to the Provincial Budget, do you mean that, the Goverment of India having sanctioned the Provincial Budget, there is practically no means of amending that Budget, even if the most convincing proofs of the necessity for so doing are brought forward?—That is our conviction. I have the question and answer here before me with respect to the matter; I asked a question with regard to this matter in the Provincial Council, and here is the answer which was given. The Budget is sent about the 10th March to the Supreme Government, and we discuss the Budget towards the end of March. Why should not the debates be sent forward too, and the Government of India would be placed in possession of the official view of the matter as well as the non-official view; and to that the reply was that the orders of the Government of India were that these Budgets should be laid before the Government of India, and the sanction taken of the Government of India, and then the Budget was to he discussed. In fact, complaint has been made that our discussion was academic. I had ventured to suggest, by a question which I had put in Council, that the Budget might be submitted to the Government of India, together with the record of the discussions in connexion with it, when I was informed in reply that the procedure followed was in accordance with the orders of the Government. For the more effective discussion of the Indian Budget, as bearing upon the question of Indian expenditure, the Budgets should be laid before the Councils at least a fortnight before the discussion takes place. The Honourable Mr. Sayani, the Member representing the Bombay Presidency in the Viceroy's Council, complained that they had only a week's time to consider the Budget, and ao time to get instructions from their constituents. In the Bengal Council the Budget is laid on the table only a week before the discussion. The practice involves a serious encroachment upon the right of interpellation, in connexion with the Budget, for, under the Rules of Council, at least six clear days' notice has to be given before a question can be put. If this rule is strictly interpreted, no questions can be put upon the Budget if it is presented only a week before the discussion; for the questions will have to be put on the very day that the Budget is presented, which, of course, is impracticable. I understand that, in connexion with the Bombay Legislative Council, the Budget is introduced at least a fortnight before the discussion.

19,098. Is that rule strictly enforced?—It is. I was the victim of it last time in connexion with certain questions which I desired to put in connexion with the Bengal Budget, and then it was pointed out to me that under the rules no questions could be put,

19,099. (*Sir Andrew Scoble.*) I think the rule is "except with the permission of the President"?—Yes, the President can exercise his discretion in the matter.

19,100. And, if the President considers that the question is of sufficient importance, he would allow it to be put?—I may just mention that under Sir Charles Elliott's régime we used to put questions on the Budget, and those questions were allowed to be put in the exercise of the discretion to which you have referred, if we gave notice of them on the Wednesday preceding; the discussion used to come on the Saturday; but this rule, I am sorry to say, has not been observed under the régime of Sir Alexander Mackenzie. The same sort of questions are put. I put the same sort of questions on both occasions, and it was pointed out that under the rules I had got beyond the limitation of time.

19,101. (*Mr. Caine.*) Is it not the case that questions are put by Members of both the Provincial and the Viceroy's Councils, answers to which are refused, which are subsequently put in the House of Commons, and answers obtained from the Secretary of State?—Yes; I know of one case that has happened. Some very important questions in connexion with the Accounts Department were put before the Supreme Legislative Council, and those questions were disallowed; but the selfsame questions, practically the same questions, were subsequently put by Mr. Roberts before the House of Commons.

19,102. And answered?—Yes.

19,103. Do you think it is very desirable that there should be some change by which you could obtain the answers in India itself, rather than adopt that roundabout course of getting them from England?—Certainly it would be most desirable, because we should be in a position to check the answers which are given.

19,104. (*Chairman.*) In such cases as that, though it is quite arguable that it might be desirable that you should have the power of putting questions in the local Legislative Council, at the same time, the case cited shows there is an appeal to Parliament, and that that appeal is not altogether inefficient as it stands at present?—I do not mean to question that at all. I think the appeal to Parliament is very useful. If I may be permitted to make one suggestion, there is this one power which Members of Parliament possess which we do not possess in India; if an unsatisfactory or evasive reply is given, or portions of questions are left unanswered, we are not allowed on the spot then and there to correct that; in Parliament that can be done, as far as I understand the practice to be here.

19,105. (*Mr. Caine.*) Do you think the rules with regard to interpellation in the Viceroy's Council, and in the Provincial Council, should be assimilated to the rules which prevail in regard to questions in the House of Commons?—I certainly think so; and with the greatest possible advantage both to the interests of Government and to the people alike.

19,106. (*Mr. Courtney.*) But the rules of the House of Commons are not held to be perfect?—Ours are still more imperfect.

19,107. It is said that ours are too redundant?—I am not familiar with the rules; but there is one rule which I know, or which I have gathered from reading the newspapers, and that is, that if questions are put and answers are given, and portions of the questions are left unanswered, members can at once call attention to the portions which are left unanswered. We cannot do that; under our rules we are at once stopped.

19,108. (*Sir Andrew Scoble.*) Can you point out the rule under which you cannot exercise the power which you have just expressed a desire to exercise, in regard to getting a complete answer? Which is the rule which prevents that?—I have got the rules here; shall I read them out?

19,109. Yes?—These are the Rules for the Council of the Governor General of India. Shall I read the rules for the Provincial Councils?

19,110. No, read the one on which you rely. That will be enough?—"Any question may be asked by any mem-
" ber, subject to the following conditions and restrictions.
" A member who wishes to ask a question shall give at
" least six clear days' notice in writing to the Secretary
" to the Government of India in the Legislative
" Department, submitting in full the question which
" he wishes to ask. Questions must be so framed as

" to be merely requests for information, and must not " be in an argumentative or hypothetical form, or " defamatory of any person or section of the com- " munity. The President may disallow any question " without giving any reason therefor other than that, " in his opinion, it cannot be answered consistently " with the public interests, and in such case the " question shall not be entered in the proceedings of " the Council." This is the rule to which I call your attention. " The President may, if he thinks fit, " allow a question to be asked with shorter notice than " six days; and may in any case require longer notice " if he thinks fit, or extend, if necessary, the time for " answering a question. When the President has " permitted a question to be asked, it shall be entered " in the notice paper for the day, and questions shall " be put in the order in which they stand in the notice " paper before any other business is entered upon at " the meeting. A question shall be read by the " member by whom it was framed, or, in his absence, " if he so desires, by some other Member in his behalf, " and the answer shall be given by the member in " charge of the department concerned, or by some " other member whom the President may designate " for the purpose. The President may also rule, at his " discretion, that an answer to a question on the " notice paper, even though the question be not put, " shall be given on the ground of public interest. No " discussion shall be permitted in respect of an answer " given to a question asked under these rules. The " question asked and the answer given to it shall be " entered in the proceedings of the Council."

19,111. Will you point out in those rules where there is anything to prevent your asking for an answer to a portion of a question that has been left unanswered?—We cannot do it at the time.

19,112. Where is there anything to prevent it?—We are not permitted to do it.

19,113. There is nothing in the rules to prevent it?—There may not be anything in the rules to prevent it, but there is nothing to allow it either.

19,114. But where is it forbidden?—This being a power given for the first time to the Government, we are not allowed to traverse beyond the limitations which are laid down here.

19,115. I can understand that you are confined within the limitations of the original questions; but you say that, if you do not get an answer to a question, you are not allowed to press for it?—As a matter of fact, we are not allowed to do so.

19,116. There is nothing in the rules—that is what I contend—to prevent it?—I want to point out this; that these rules give a certain power to the Government of India, and, in giving that power, powers which are not specifically given in those rules must be presumed not to exist.

19,117. I want you to answer my simple question; do you find anything in the rules which prevents your getting a complete answer?—Not as I have read those rules.

19,118. (*Mr. Caine.*) But it is the case that you frequently are refused?—Certainly.

19,119. That the President of the Council interprets the rules in that way?—Certainly.

19,120. (*Mr. Courtney.*) Does he give a reason for refusal?—He is not bound to do so.

19,121. Does he?—No.

19,122. Can you refer to any case in which this has happened, that you or any other Member have put a question which involved two or three questions, and an answer is given to two out of the three, and you have observed that number three is not answered; has that ever happened?—I cannot recall to mind an instance of that kind at the present moment.

19,123. The complaint you made was that that question number three was not answered, and that you could not get an answer?—Such a complaint is frequently made in the newspapers. Here is one which I quote from the "Bengalee" of the 17th April, which reproduces an extract from the "Advocate" of Lucknow regarding the employment of civil assistant-surgeons, about which a question was asked in the Council of the North-Western Provinces. This is the comment: " To the first part of the question no reply was given." There are two parts to the question; a reply was given to the second part but not to the first.

19,124. Did the questioner go on to say, " You have not answered question number one"?—I do not think he did. I cannot recall to my mind at the present moment an instance in which, the first part of a question not having been answered, the Member called the attention of the Government that it was so; I cannot recall an instance.

19,125. That is the practice followed in the House of Commons; unless a member whose question is not answered takes that step, he cannot complain of an answer not being given, because he has not exhausted his powers of getting an answer?—The practice with us is that a question is put, and an answer given, and the matter ends there; that is the practice.

19,126. That may be the fault of the questioner?—Now that we have got this expression of opinion, we shall test it; but I am afraid we shall not succeed.

19,127. (*Chairman.*) At all events, that point which has been raised has not, according to the evidence that you are able to give us, ever been brought to issue?—That can easily be done; and, with this expression of opinion, I have no doubt it will be done.

19,128. (*Sir James Peile.*) What is the date of those rules?—These are the latest.

19,129. What is the date?—1893, I think.

19,130. Five years ago?—2nd February, 1893.

19,131. Four years ago. At that time a great extension was given to the powers and privileges of the Members of the Legislative Council, was it not?—Yes.

19,132. That was an experiment?—Yes.

19,133. It does not follow that no further extension shall be given?—No, in fact we are hopeful of further extension, and it is because we are hopeful of that, that we are pressing the matter here.

19,134. (*Chairman.*) Will you proceed?—There is indeed no reason for the restriction imposed, in connexion with the moving of amendments upon the Budget, having regard to the fact that there is a standing official majority in the legislative councils in India. No non-official member has the smallest chance of carrying an amendment if the Government was firmly determined to resist it. There is no sort of check upon expenditure from the taxpayer's point of view; and this check has been found most useful, even in India in connexion with the administration of our self-governing local bodies.

19,135. (*Sir Andrew Scoble.*) When you say that there is no check upon expenditure from the taxpayer's point of view, if additional taxation is imposed in order to meet the necessities of the Budget, you have a mode of dissenting from that additional taxation, have you not?—Exactly; that is to say, we may dissent, but we are bound to be in a minority.

19,136. You may be in a minority, but still you have a power of dividing the Council and recording your vote against that additional taxation?—Only in a question of taxation.

19,137. From the taxpayer's point of view is not the question of taxation the important question?—All items in connexion with the Budget are questions in which the taxpayers are very intimately concerned. Taxation is only one matter affecting them; but if there is no question of taxation the whole Budget is laid before the Council, and in regard to the items in the Budget we may make speeches, but we have no right of moving amendments.

19,138. But you have every opportunity to comment upon any item of expenditure which you consider unadvisable?—That is the whole point at issue between Government and ourselves; we have the right to comment, but no right to focus our views in the definite form of an amendment.

19,139. You cannot move an amendment and divide the Council, but if you are always in a minority what is the use of dividing?—It would be of the greatest possible benefit if we could divide. Let me give you an instance. We were in a minority with reference to the Drainage Bill, and the Bill was passed in the teeth of the opposition of the non-official minority, and that Bill has become a dead letter. In not a single instance has that Bill been given effect to, because of the unanimous expression of opinion on the part of the non-official members of the Council.

19,140. That shows that your opposition is very effective?—That is so; our opposition was effective, because

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we had the opportunity of moving an amendment. We moved an amendment that this Bill be not given effect to, or something to that effect, and the result was that the Bill has not been given effect to.

19,141. (*Sir Ralph Knox.*) Was there a division upon it?—Yes; and all the non-official members in a body voted against the Bill, but the Government passed the Bill in the teeth of the opposition of the non-official members, and since 1894, and it is now 1897, in not a single instance has that Bill been given effect to.

19,142. (*Chairman.*) I think you have restricted your statement, have you not, to this point, that there is no sort of check upon expenditure?—Quite so; that is so. This check has been found most useful even in India in connexion with the administration of our self-governing local bodies. Finance is their strong point, and the most notable instance in this connexion is afforded by the Calcutta Municipality. The financial position of the Municipality has been strengthened under the government of the Elected Commissioners, and its credit has greatly improved. The Municipality now borrows at the rate of 3½ per cent. Before 1891, the rate of interest was 5 per cent. It has gone down to 3½ per cent.

19,143. Without in any way questioning your view of the position of the Calcutta Municipality, is it not the fact that the rate of interest has fallen generally, you may say throughout the world, and that all borrowing bodies have profited by that fall?—That is so.

19,144. So far, therefore, the proof that you bring forward is not a proof peculiar to the Calcutta Municipality; and, inasmuch as it is common to all borrowing bodies, it is not a distinct proof of the ability of the Calcutta Municipality?—I want to point out that, if the Calcutta Municipality was a bankrupt body, and had not good credit, it would not borrow at 3½ per cent.; there are two factors in it, the growth of capital, and the credit of the Corporation.

19,145. I am not questioning your view of the position of the Calcutta Municipality in the least; it was only your instance which struck me as applying to all borrowing bodies?—I quite accept that.

(*Mr. Caine.*) The witness's point was that the Calcutta Municipality borrowed at 5 per cent. in 1891, and now it borrows at 3½ per cent.: I think it shows, certainly, a very great improvement in the borrowing powers of the Calcutta Municipality.

(*Chairman.*) Very possibly.

(*Mr. Caine.*) One and a half per cent. is much more than the fall of the market; there has been an improvement in the credit as well as a fall in the rate of nterest.

19,146. (*Mr. Courtney.*) Did they borrow in 1891 at 5 per cent.?—Yes.

19,147. They actually borrowed?—I cannot remember the date exactly, but in 1890 they might.

19,148. (*Sir Andrew Scoble.*) But did they?—They are constantly borrowing for large works and expenditure.

19,149. (*Chairman.*) Have they a large debt?—Yes, about two crores, I think.

19,150. Where do they borrow?—They borrow in Calcutta.

19,151. And they find people who will advance them money at 3½ per cent.?—Certainly; twice over. We reduced the debt before the Government undertook this operation; the Government began the reduction in 1891.

(*Chairman.*) Mr. Caine will recollect that between 1891 and 1897, with the Imperial Government and other Governments, the fall in interest has been very considerable; and I am not quite certain that we should invariably put that down to the credit of the Chancellor of the Exchequer for the time being.

19,152. (*Mr. Caine.*) You can find out what the fall in the market has been. Portsmouth borrowed at 3½ per cent., and got 96*l.* in 1890; that has risen to 110. There has only been a difference of ½ per cent. in Portsmouth, and 1½ per cent. in Calcutta shows that the borrowing powers there have greatly improved?—What is true of the Calcutta Municipality is true of most other municipalities in Bengal, where the representatives of the ratepayers control the expenditure. It is perfectly true that, even if the Members of Council had the right of moving resolutions in respect of financial matters, they would be in a minority under the existing constitution of the Council. But a unanimous or a nearly unanimous vote of the non-official members on a financial question would be an index of popular feeling which the Government of India would not ignore. I do not regard this duty of controlling the expenditure in any sense as a radical proposal, or one calculated to weaken the authority of the Executive Government. On the contrary, by focussing the views of the popular representatives, it will afford the Government a valuable index of popular feeling. It is my impression, though I have not been able to verify it, and I state it for what it is worth, that in the Ceylon Legislative Council, if the non-official members are unanimous with regard to any item of expenditure in opposition to the views of the official majority, all action is suspended until the sanction of the Colonial Secretary has been obtained.

19,153. (*Chairman.*) In speaking of your impression as to the practice in Ceylon, do you mean that there is an unofficial rule to that effect?—I remember to have read this in the proceedings of the Ceylon Legislature, and I have been hunting over the proceedings, but have not been able to lay my hands on them; I would not like to make the statement without proof.

19,154. That is not the case, I think?—Is it not? Possibly.

19,155. I do not speak positively; I asked a question on the point, and I was told that it is not the case; but I do not say you are wrong, because I do not know it positively; but, if there is not an official rule, does not this really resolve itself into this, that it is within the discretion of the Governor of Ceylon, if there is a very strong non-official expression of opinion against an Act of the Government, to refer the Act to the Colonial Secretary before giving effect to it?—Yes.

19,156. And does it not lie within the discretion of the Governor-General to do the same thing with the Secretary of State for India?—Certainly.

19,157. Therefore, unless there is an actual rule, would you not admit that there is no great difference between the powers of the two Governors?—That is so; I do not know exactly what the state of things is; that is to say, if there is a rule, that when there is a difference of opinion about finance between the non-official members and the Government—if there is a rule to that effect, of course, that would be of great advantage; but, if it is a matter of discretion, the Viceroy certainly might exercise the same discretion.

19,158. I only want to bring us to an understanding on the point?—It would depend on the Viceroy.

19,159. If there is a rule, there is considerable force in your argument; but, if there is not a rule, it appears to me that the discretion of the Governor in Ceylon, and that of the Governor-General in India, are precisely the same?—I was under the impression that there was a rule, and I was arguing under that impression. In my evidence I allude to nothing more than what is my impression. Some sort of control on the part of the taxpayers has become all the more necessary, when it is borne in mind that since 1885 the power of the Finance Minister in checking expenditure has been considerably weakened, owing to the military policy which has been followed in recent years.

19,160. Here, again, you are aware that the evidence before us shows a difference of opinion?—There is a difference of opinion. As a further check upon expenditure, I would recommend that one Member of the India Council for each of the three Presidencies of Bengal, Bombay, and Madras should be elected by the non-official members of the Supreme Legislative Council.

19,161. That is to say, three Presidency members should be added to the Indian Council here, who should be native gentlemen?—Not necessarily native gentlemen; they could be European gentlemen for the matter of that; if they had a sympathetic feeling for the people, why should not European gentlemen be elected; there is not the smallest objection.

19,162. (*Sir Andrew Scoble.*) Why would you limit it to the three Presidencies?—I should be very glad to have five. I only bring it forward as a tentative proposal, but it seems to me that three is the minimum that we should have to begin with.

19,163. Leaving out the North-West Provinces and the Punjab?—I think the others could look after the North-Western Provinces and the Punjab. If

you will give us the North-West Provinces and the Punjab, we shall be delighted; but for the present, at any rate, that is what I venture to suggest. Periodical inquiry (once in every 10 or 20 years) into Indian Affairs by a Royal Commission or a Parliamentary Committee would also ensure the same result. The Indian public look back upon the Parliamentary inquiries of the past with mixed feelings. They regret that these inquiries should have been discontinued; they are grateful for the results which they led to. At the Parliamentary inquiry held in 1832, Raja Ram Mohan Roy, the most illustrious name in modern India, gave his evidence, and he suggested reforms, one of which, at any rate, the separation of judicial and executive functions, has come within the range of practical politics. The inquiry led to the enactment of the Charter Act of 1833, the 87th Section of which removed a grave disability from natives of India. The subsequent Parliamentary inquiry threw open the Indian Civil Service to general competition, from which natives of India were not excluded. Since then no Parliamentary Committee has been appointed which has borne any fruit. The people of India regard the stoppage of these inquiries as seriously interfering with their progress in obtaining a due share in the administration of their own country.

19,164. (*Chairman.*) What do you mean by these inquiries? Were they not inquiries which took place at each renewal of the Charter?—Precisely so.

19,165. They were at intervals of 20 years?—Twenty years.

19,166. Can you say that since the last question of the renewal of the Charter, which I think was in 1853——?—The last one was in 1853.

19,167. Can you say that there has been a stoppage altogether of such inquiries?—I do not say that they have been stopped, but they have borne no fruit. There have been inquiries about minor matters, but no inquiries of a general character. There was the Committee of Mr. Fawcett, and the committee of Lord Randolph Churchill, but those Committees I do not think reported; Parliament was dissolved before those committees could submit their reports, therefore they did not lead to any substantial results; but the Parliamentary Committees I have referred to have always been productive, from the Indian point of view, of most beneficial results.

19,168. You do not refer to any other inquiries except those that took place on the renewal of the Charters?—Yes; I refer to those.

19,169. You will observe that in your evidence you speak of the stoppage of those inquiries—"that the "people of India regard the stoppage of those "inquiries"?—Perhaps "stoppage" is not the exact word; "the people of India regard the stoppage of "these inquiries as seriously interfering with their "progress," that is to say, no inquiries of a general character have been held and with definite results; there have been two inquiries, one by Mr. Fawcett's Committee, and the other by Lord Randolph Churchill's Committee; there have been these inquiries, but they have not been productive of definite results.

19,170. If you saw a list of the Parliamentary inquiries that have taken place since India came under the rule of the Queen, I think you would find that the number of Parliamentary inquiries has considerably exceeded the number that took place before?—They have been about small matters, railways, and things of that kind; but there have been no inquiries upon the scale I have suggested, general inquiries into Indian Affairs.

19,171. You think that there is no use in an inquiry unless it extends to everything connected with Indian Affairs?—I will not put it so strongly as that. Of course, there is use in inquiries; they are always useful, but there would be greater use in having larger inquiries than inquiries referring to smaller matters.

19,172. Do you not think it possible that, if you have very extensive inquiries, the field of investigation may become too great?—We judge a tree by its fruits. The comprehensive inquiries of 1833 and 1853 have been productive of the most beneficent results.

19,173. You leave us under the impression that there have been no very beneficial results for India, except those which followed each of those inquiries. May I ask, with reference to the very subject of your evidence on the Legislative Council, and on decentralisation, has not a very considerable advance been made in those 40 years in admitting native opinion to power and, further than that, the different Provinces to manage their own affairs; are they not considerable results?—Very considerable indeed.

19,174. I observe that in your evidence you would give people to understand that there has been a perfect stoppage of beneficent legislation since India came under the Crown?—I do not mean to suggest that; I should be false to myself, and false to my countrymen, if I said that the expansion of the Councils has not been productive of good results. What I want to say is this—that the Charter Act of 1833, we regard as perhaps the most beneficent piece of legislation that has ever been put upon the statute book, barring the Queen's Proclamation, and therefore we are justified in holding that those earlier inquiries have been fraught with the most beneficent results.

19,175. (*Mr. Courtney.*) Has not the situation entirely changed? Those earlier inquiries were inquiries by Parliament into the administration of a separate, if not an adverse, power?—I quite recognize that fact, that it was the Crown and the East India Company that were concerned, and the Crown instituted those inquiries in order to see whether Government under the East India Company had been properly conducted or not. It seems to me that, if the Crown were to institute inquiries as to whether Government under its own immediate control had been properly conducted or not, the results would be very much the same.

19,176. Surely the thing is entirely different, not only in the scope, but in the motive principle of the inquiries. In one case Parliament is inquiring into something being done by a body, temporarily at least, outside and independent of itself; in the other case Parliament is asked to inquire into something which is always subordinate to itself?—If you will permit me to say so, although practically the Government is subordinate to Parliament, Parliament does not exercise that control which the people of India have some right to expect it to exercise.

19,177. As suggested by our Chairman, Parliament does at short intervals exercise control in a certain degree, so that there is not an accumulation of change awaiting a decennial inquiry; change is constantly going on?—I would point out that the changes in the conditions and circumstances of Indian life, since the assumption of the Government by the Crown, have been far deeper and more rapidly effected than the changes which took place under the East India Company, and therefore it seems to me that there is greater need on that ground for these inquiries than before.

19,178. Have not the changes made by the Government of India since the assumption of the government of India by the Crown been greater than the changes made before?—I quite admit that the changes have been very great. I am not in a position to institute an inquiry; but it seems to me that greater changes are required, and I am perfectly certain that, if these committees of inquiry were appointed, these changes would be indicated by those Committees.

19,179. The inquiry of 1833, to which you refer, was exceptional also in this regard, that it was an inquiry by an entirely reconstituted authority at home; it was almost a new parliament?—Yes, under the Reform Bill.

19,180. Yes?—In 1853 we had an inquiry, and it led to very important results.

19,181. (*Mr. Buchanan.*) Between 1833 and 1853, there was practically no legislation for India in the Parliament here?—I have not studied that subject; I am not in a position to say so.

19,182. Whereas, from the time of the assumption of the Government of India by the Crown to this present time, we have had constant and continuous legislation for what we believe to be the improvement of Indian Government?—Legislation made by the Government of India?

19,183. And also by the Parliament here?—I do not know that there have been many enactments passed by Parliament affecting India.

19,184. Look at the statute book; you will see that there are a considerable number?—The Council of the Governor General came into existence in 1861. Naturally enough, there would be many more enactments in connexion with India by the Government of India.

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19,185. Is it not a fact that you have had progressive and continuous legislation upon Indian subjects during the past 40 years, which you had not in the previous period?—I admit the force of that statement, that the Government is essentially a progressive Government, but what I say is this, that progress would receive a larger and more adequate impetus if you had these inquiries; that is what I venture to submit.

19,186. You would not have any inquiry unless it extends over the full field of Indian Government?—We should be more pleased if we had these inquiries extending over a wide area; every inquiry would do good, but the more comprehensive they are, the better for us, we think. The remedies therefore that I would suggest may briefly be summarized as follows:—(1.) Members of the Legislative Councils should have the right of moving amendments and dividing the Council with regard to items in the Budget; and the Budgets should be laid sufficiently early before the Councils to facilitate discussion; (2.) A Committee of the House of Commons should be appointed to look into Indian accounts and control Indian expenditure.

19,187. (*Chairman.*) Those are two separate functions; do you mean that the same Committee of the House, which you wish should be appointed, should look into Indian accounts and control Indian expenditure?—Should look into Indian accounts and report the matter to the House; that is what I want to say.

19,188. But you also say "control Indian expenditure." I point out that the control of Indian expenditure and the examination of accounts are two very separate functions?—I admit that; quite so. Look into Indian accounts; I would stop there, and report the matter to the House.

19,189. You do not lay stress upon the suggestion that they should control Indian expenditure?—No; that is to say, they should report the matter to the House.

19,190. As far as the examination of accounts is concerned, that, of course, is a function that could be discharged by a committee, though under certain difficulties which would have to be considered; but do you feel quite certain about the good effect of calling a Committee of the House of Commons into existence, with powers of control over the details of Indian administration?—I do, certainly; I would trust a great deal to the business experience of a dozen Englishmen, conversant with public affairs, in regard to these matters. We have official control, and we should like to have non-official popular control; I certainly think it would produce satisfactory results.

19,191. And you would have no fear that the views of English constituents, which are not in accord with Indian views, would have any effect upon the Committee?—We take the good with the evil, and we believe that on the whole it would produce better results than otherwise.

19,192. (*Mr. Courtney.*) Have you any warrant in fact for that belief?—In this way, that these Committees of inquiry in the past—I fall back on them—I presume, were appointed on parliamentary party lines. Those Committees made their reports, and those reports have been productive of good results.

19,193. The essential thing to which I called your attention is that they have not inquired into the administration of the Government of the day?—They inquired into the administration of Indian affairs.

19,194. The administration of the East India Company?—It was the Indian Government that they inquired into, and the affairs of the Indian Government that they reported upon.

19,195. (*Sir Andrew Scoble.*) I should like to ask you with regard to the functions of this Committee, would they inquire into expenditure before or after it has been incurred?—Not in that way. Here is the Budget—the Indian Budget—which is laid before the Council of the Governor-General. That Budget will be sent on to the House of Commons, and the Select Committee will look into the Budget and the accounts, and make a report to the House of Commons before the debate takes place in the House of Commons.

19,196. Is there to be no expenditure under the Budget arrangements of the year until this Committee has reported?—Certainly it is to go on. The effect will be moral; that is to say, they will not say, "You must not spend this, or that, or the other," but they will say, "This item of expenditure ought to be this, and that item ought to be that." They will be a sort of consultative body, reporting to the House of Commons, and exercising moral influence, moral pressure upon the Government.

19,197. You want 12 members of the House of Commons to discharge a duty which is now left to 670?—I think what is everybody's business is nobody's business, and, if 12 men are entrusted with the duty, they would do it better than 670. I speak from my own experience of a corporation having 72 members; when we sit down with 72 present, we talk; but, when there are but 12 of us, we do the business.

19,198. (*Mr. Courtney.*) I do not want to disturb your faith, but you are worshipping a blind and a deaf god?—That is the conviction of a whole community, and I am here to give expression to it.

19,199. Just consider the difference; if we have a committee here to examine into the administration of any branch of the Government at home, be it army, navy, or civil administration, the members of the committee appointed for the purpose are cognisant of the facts of the administration themselves; they are in touch with the electors, who feel and write to them what they think about all that is going on, and they are representatives of the nation affected directly by the administration, looking into that administration; but in the case of India, if you had this Select Committee formed out of the nucleus of the House of Commons here, with the exception of two or three they would know nothing about India; they would not be in touch with the electors; there would be no electors to be in touch with; and the result which you may expect with some confidence from the one body, you cannot look for from the other, because the latter have neither knowledge or thought proper for it?—Possibly the same results would not be obtained in the one case as would be obtained in the other, but we have confidence in the impartial judgment of a number of Englishmen of business habits conversant with public affairs dealing with Indian considerations. Of course, the two things do not stand on the same footing, but, if we cannot obtain those large results which English constituents are accustomed to obtain, I hope we shall be able to obtain some good results. At any rate there is no harm in trying the experiment, and silencing us if we are wrong, by showing that the scheme will not work. The further remedies that I would suggest are, one member of the India Council in London should be elected by the non-official members of the Supreme Legislative Council for each of the three Presidencies of Bengal, Bombay, and Madras. Periodical inquiries by Royal Commissions or Parliamentary Committees would promote the ends of economy and good government.

19,200. (*Chairman.*) Now, I think that concludes the opinions you wish to express to us on the subject of the machinery of expenditure, and the next branch you wish to take up is that of the provincial contracts?—Yes. There is no question in the whole range of Indian finance of more vital importance to administrative progress or more deserving of serious consideration than the question relating to the working of the provincial decentralisation system. It was initiated by Lord Mayo chiefly with a view to definitely "limit for "the present the expenditure from the general ex- "chequer on certain important branches of Civil "expenditure, the very branches, indeed, where, from "the progressive spirit of the age, the demands for "increased outlay have most arisen and would most "arise, and in which, from the nature of the case, "the Supreme Central Authority is least able to check "the requirements of the local authorities." (Extract from Sir Richard Temple's speech in introducing the Financial Statement in the Supreme Council, on the 9th March 1871.) The hope was also expressed at the time, by the same high authority whom I have just quoted, that the new system thus inaugurated "will teach the people to take a practical share in "provincial finance, and lead them gradually towards "a degree of local self-government, and will thus "conduce to administrative as well as financial im- "provement." The system underwent a further development in 1877, and a still more remarkable development in 1882, under the auspices of Lord Ripon's government. The principle was adopted that, "instead of "giving Provincial Governments a fixed sum of money "to make good any excess of provincialized expen- "diture over provincialized receipts, a certain pro- "portion of the Imperial revenue of each province "was to be devoted to this object. Certain headings

" were wholly, or with minute local exceptions only, " reserved as Imperial; others were divided, in pro- " portions for the most part equal, between Imperial " and provincial; the rest were wholly, or with minute " local exceptions only, made provincial. The balance of " transfers, being against the Provincial Governments, " was rectified for each province by a fixed percentage " on its land revenue (otherwise reserved as Imperial), " except in Burma, where the percentage was extended " to the Imperial rice export duty and salt revenue " also." (Resolution of the Government of India, No. 3353, dated Simla, the 30th September 1881.)

19,201. What do you mean by the balance of transfers being against the Provincial Governments?—That is to say, the expenditure was more than the receipts. The expenditure which they were placed in charge of was more than the receipts that were made over to them; therefore, there being a balance against them, a certain percentage of the land revenue was given.

19,202. Quite so?—The declaration was also made, that, while on the one hand Provincial Governments must look for no special aid from the Imperial Government, except in case of severe famine, the Imperial Government would make no demand on them " except in the " case of a disaster so abnormal as to exhaust the " Imperial reserves and to necessitate a suspension " of the entire machinery of public improvement " throughout the empire." This reservation was partly modified by the subsequent orders of the Secretary of State, who empowered the Imperial Government to demand contributions from the Provincial Governments upon ordinary emergencies.

19,203. Can you tell us what those orders were?—I could not tell you the exact words of the order, but the orders were " ordinary emergencies." Deficit, and things of that kind were included in that category.

19,204. And there was no definition of " ordinary emergencies "?—I do not think so.

19,205. But you are sure that the term " ordinary emergencies " was used?—Certainly. Subsequent contracts have proceeded upon the lines of Lord Ripon's scheme, subject to modifications as to the apportionment of shares between the Imperial and the Provincial Governments. Great stress was laid upon the progress of self-government as forming a part of the scheme of decentralization in finance, which was referred to as affording an opportunity " for the " association of natives and Europeans to a greater " extent than heretofore in the administration of " affairs." Provincial Governments were instructed to hand over " to local self-government considerable " revenues at present kept in their hands." This has not been done to the extent contemplated.

19,206. That is to say, as the Central Government handed over large powers to the Provincial Governments, so the Provincial Governments in their turn were to delegate powers to subordinate authorities?—Precisely; and I have some figures of the receipts made over to local bodies. These are certain local receipts of the Provincial Government of Bengal. One-third of the ferries, which are purely local receipts, go to the provincial funds, and two-thirds are made over to the local bodies.

19,207. What local bodies?—District boards and municipalities.

19,208. Do you yourself favour that policy of further delegation?—Certainly, most certainly. Public attention in India has been prominently drawn to this question within the last two or three years in view of the contracts which have just been concluded. The matter has been discussed in our Conferences and in the Congress which sat at Calcutta in December last, and the general opinion is (and it is an opinion largely shared by Provincial Governments and local officials) that the system, as judged by its practical working for the last 25 years, is essentially faulty, and that it needs revision. The term is too short, the resources placed at the disposal of the Provincial Governments meagre, and, in many cases, inadequate to meet the urgent needs of domestic improvement. The re-adjustments are followed by curtailment of domestic expenditure, and, by the time the former level is reached, the contract period expires and a fresh adjustment takes place, leading to a fresh curtailment of expenditure. The process continues to the detriment of the domestic interests of the country, and it leads to considerable irritation between the Imperial and the Provincial Governments. A system which is attended with results such as these must be pronounced to be faulty and to stand in need of revision. What strikes one is the very large proportion of national income which the Central Government reserves to itself, as compared with what it allows to local administrations.

19,209. Is your remedy to be an increase of the provincial revenue at the expense of the Imperial revenue?—No; the remedy I suggest is very much on the lines laid down by Sir Charles Elliott. Keep the existing state of things as they are, so far as practicable, but at the same time give one-half of the increase or the normal expansion of the provincial revenue to the Imperial Government and one-half to the Provincial Government. For instance, in the last two settlements the Imperial Government has been taking three-fourths —I have given the figures later on—the Imperial Government has been taking three-fourths, and giving us one-fourth, with the result that the most urgent domestic improvements have had to be postponed or starved. In fact, I may just mention one instance; the Financial Secretary to the Government of Bengal provided this time for an increase of pay to the ministerial establishment to the extent of 3½ lakhs; that was provided for in the local budget, but the Government of India cut it out in consequence of the pressure on Imperial finance. That is what we complain of; that is the burden of my whole statement.

19,210. You confine the Imperial Government to only a certain proportion of the increase; if the charges of the Imperial Government for the great needs of the Government increase, and if the Government are not able to ask in that case for some reduction of the expenditure on the part of provincial governments, what you are really advocating is an increase of taxation?—No, the first charge of the Imperial Government would be on the provincial funds. If the Imperial Government is not able to meet the necessary expenditure, then, over and above the 50 per cent. which I advocate, the first demand upon the provincial revenues would be the charges of the Imperial Government. But my idea is not increase of taxation so much as reduction of expenditure.

19,211. Your argument is for reduction of expenditure; you think that reduction of expenditure is possible?—Not immediately.

19,212. But gradually?—Gradually, exactly.

19,213. And if that is done there would be a larger sum available for the domestic wants of India?—Yes.

19,214. That is an intelligible argument to hold; but, on the other hand, that must be held in connexion with the view of what is necessary for the Imperial expenditure?—No.

19,215. What I want to bring before you is this: I think I understand your meaning; but if you were to increase the provincial expenditure without reference to the needs of the Imperial Government you would really be arguing for an increase of taxation?—It would come to that—either reduction of expenditure or increase of taxation.

19,216. But your view is—I quite understand—that a gradual reduction of expenditure is possible, and you would give the benefit derived from that to the Provincial Government?—Yes.

19,217. I am not opposing that view at all, because it is a perfectly legitimate view to hold; but I only point out that, in the event of the Imperial Government finding larger expenditure necessary, or not being able to reduce expenditure, you must face the fact that it means increase of taxation?—It may mean increase of taxation; I would endeavour to reduce first, but if that is not possible it would mean increase of taxation.

19,218. (*Mr. Courtney.*) You said that you have been pressing for increasing certain expenditure?—Yes.

19,219. And it has been provided for?—Not to the extent we have been pressing for.

19,220. But to a certain extent?—Yes, to some extent it has.

19,221. So that your action has been efficacious?—Yes.

19,222. Although you could not move for an increase, you have got it as far as the Government of Bengal is concerned?—As far as the Government of Bengal is concerned. I may say at once that Provincial Governments are in sympathy with the interests of

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domestic improvements, and they would do much more if they had the means.

19,223. (*Sir Andrew Scoble.*) Would not the Imperial Government do the same?—I know nothing at all about the Imperial Government; I can only speak for my own Government.

19,224. (*Mr. Courtney.*) But your own experience and knowledge point to the necessity for increased expenditure?—Yes.

19,225. Which might have been made if the Government of India had not come down for a larger percentage?—Precisely.

19,226. The Government of India, perhaps, had an experience which pointed to increased expenditure on their part?—It is possible, but we looked at the matter from our point of view; and, if you will allow me to go on, Sir Alexander Mackenzie distinctly said in 1896 that more expenditure on education was necessary, but he had to cut down the Education Budget.

19,227. (*Sir Ralph Knox.*) You mean really by that that the expenditure which is under your control you think ought to be increased, and the expenditure which is under the control of other people ought to be decreased?—I cannot speak for other people; I can only speak for myself. Taking the accounts for 1895-6, we find it is no less than full two-thirds of the total revenues of the country as under:—Total revenues—98·370 crores — 21·8 crores (or in Rx. millions) railway receipts = 76·511 crores. Imperial share, 51·541 crores, or 68 per cent. Provincial and local, 20·8 crores + 4·0 crores = 24·870 crores, or 32 per cent.

19,228. (*Chairman.*) What are those 4 crores that you add to the provincial and local share?—That is the local.

19,229. As distinct from provincial?—Yes; educational cesses are levied that do not form part of the machinery of the Provincial Government. Under our present arrangements the Imperial Government has share of *debt, army, foreign relations, railways, irrigation works, post, telegraph, mint, &c.*, while almost the entire work of internal ordinary administration is left to the Provincial Governments, a division of services, as between the central and local administrations, much the same as we have in Federal States, and yet in none of these do we find such a large portion of national income appropriated to the work of the Central Government. In the German Empire it is no more than 35 per cent. of the total revenues; in Switzerland and the United States the national revenue is, roughly speaking, divided half and half between the central and local administrations.

19,230. How do you make that calculation in the case of Germany?—I have got this from Mr. Sayani's speech, a member of the Viceregal Council in Calcutta; those figures are from a speech he delivered. I think these figures are correct, because I am perfectly certain that Mr. Sayani would not have quoted them if they were not correct.

19,231. Do you know how he built them up, because I see in your note you speak of the revenue of Germany—which, I suppose, means the whole of the Empire—as £185,000,000?—That is from the "Statesman's Year-book of Facts"; these other figures are taken from Mr. Sayani's speech, and they are in the "Gazette of India."

19,232. (*Mr. Caine.*) Have you verified them?—They cannot be verified from the "Statesman's Year-book of Facts."

19,233. (*Chairman.*) You are dealing with Germany, Switzerland, and the United States, which are Federal Governments, in which are a number of States bound together for federal purposes. This is not the case in India?—The object of the decentralisation system was certainly that.

19,234. Not necessarily to that extent?—Oh! no; not to that extent; but I do say it was to associate the people to a greater extent in the administration of the country, and I think the interests of finance, and the interests of the Government, would improve if that were done to the extent contemplated by Lord Mayo. Surely in a country so circumstanced as India is, and where internal improvement is an object of such paramount and transcending importance, a financial system which leaves so little for local requirements cannot be regarded otherwise than as fundamentally wrong. Our Imperial expenditure is too high, and our army, according to the evidence of Lord Lansdowne and Sir Henry Brackenbury, is admittedly on a strength beyond our necessities and in accordance with the requirements of Imperial policy. The army costs, exclusive of exchange, 23·46 crores, which exceeds the cost of the army of the United Kingdom by close on 6 crores, and which is equal to the whole army expenditure of the Russian Empire, and amounts to 32 per cent. of our revenues.

19,235. You have looked, I suppose, at the Army Report of 1879, was it not?—I cannot say that I have.

19,236. In that case, if I remember, the Report divided the Army into two portions, and those gentlemen who made the Report distinctly stated that for the defence of India and of its frontiers, reckoning the Powers with whom India might have to deal, India ought, in its own self-defence, to have a body of from 50,000 to 60,000 men movable and available for that purpose, apart from what I may call the garrison of order. That proportion, I think, has been more or less kept up, and as far as they went I do not think they put it down so strongly as you put it down here, that this was not required for Indian purposes?—Our contention is, and it is supported by these high authorities whom I quote, that we have an Army in excess of what would be required for purposes of internal peace, and, that being so, it being required for Imperial purposes, there ought to be an adjustment of charges between the Imperial Exchequer and our own Exchequer.

19,237. Your contention, therefore, is that it is nothing to you India being overrun by a foreign power?—It is a matter of the greatest possible importance.

19,238. That is the point of this Committee's Report, as I read it?—And it is because it is a matter of the greatest possible importance that we say that there should be this adjustment of charges. If it was nothing to us, we should say that England should pay the whole.

19,239. Your contention would then be that you would not require one man to protect you against an invasion, the position of this Committee's Report being that such and such a force, say, 50,000 or 60,000, was necessary in order to provide for the defence of India against external enemies? I put it to you that the inhabitants of India are deeply interested in it; it is not primarily an Imperial question; it is first of all an Indian question; every inhabitant of a country is primarily interested in being free from the risk of being overrun and annexed by his neighbour, and you can hardly say that it is the concern of another country, even though the Government of that other country may be responsible for the machinery of defence?—So far as the purposes of the maintenance of internal peace are concerned, India ought to pay for everything; but over and above that, whatever army was required for Imperial purposes for keeping off external aggression, against a common enemy, the enemy of England as well as of India, I think there ought to be an apportionment of charges. That is the point I venture to submit for your consideration.

19,240. You give a table there in which you compare the proportions?—Yes.

19,241. Perhaps you will read it?—Russia, 115,000,000.

19,242. That is revenue?—Yes.

—	Revenue.	Army Expenditure.	Ratio of Army Expenditure to Revenue.
	In Million Sterling.		Per Cent.
Russia - -	115	23·9	21
United Kingdom -	91·3	17·8	19
France - -	138	25·9	19
Germany - -	185	24	13
Italy - -	72·4	9·4	13

19,243. It is rather important that we should be clear that those figures have been carefully worked out. I will take one or two of them and test them. Would you tell me how you arrive at the 24 millions of Army expenditure for Germany?—I took that figure from the

"Statesman's Year Book of Facts," and the Revenue also, and I took the Army Expenditure which is given there, and I draw a percentage.

19,244. Very odd; from that very same book I arrived at quite a different figure. The Army Expenditure for 1895–96 and 1896–97 is put down at 27 millions sterling?—I took 1895–96.

19,245. The figures do not vary much, excepting only in this, that these figures for 1895–96 and 1896–97 are estimates, and that in the actual accounts of earlier years you will find the expenditure invariably higher. But I am content to take the latest year. For 1896–97 the Expenditure I make out to be not 24,000,000 but 27,000,000. Further than that, did you convince yourself that that 27,000,000 included all the expenditure?—I went upon that assumption.

19,246. If you had looked a little bit further, you would have found that there are two-and-a-half millions of Army expenditure which are kept quite separate, namely, the military pensions, so that in reality upon those very figures you get not 24,000,000 but 30,000,000?—I will look over that once again.

19,247. Then there is another point, which is most important in this case. If we take these figures as a comparison of the expenditure in the different countries, we get on very dangerous ground. Unless really one has made a study of the accounts, one is very apt to omit certain portions. Foreign countries invariably keep their non-effective charge quite apart from the Army estimates. You have applied the same method of calculation to France, have you not?—Yes.

19,248. For this same year the French Army expenditure is very close upon 28,000,000*l.* sterling, in addition to which there comes a large charge for pensions, which, I think, carries it up to considerably over 30,000,000*l.*?—Oh.

19,249. Those are figures which you can look over for yourself. Perhaps I might suggest that in order to follow me in the matter there are two books which are very easily referred to; one the "Statesman's Year Book," and the other the "Almanac de Gotha," they supplement one another?—I will look over the figures.

19,250. And also look over the figures of the revenue of Germany; I should find it extremely difficult to make the revenue of Germany higher, at the outside, than 120,000,000*l.*, instead of the 185,000,000*l.* in your table; but I have not taken all the smaller States?—I think my figures include those.

19,251. Your figures, to be worth anything, must include the small States?—Yes.

19,252. I would remind you about one thing; in the "Statesman's Year Book" you must look carefully to one point, otherwise you count revenue twice over; there is the matricular contribution made by the different States, which appears in the revenue of the different States, and also in the revenue of the German Empire?—Yes.

(*Chairman.*) And that adds over 20,000,000*l.* to the revenue; those are points which, before we arrive at those percentages, require very careful consideration.

19,253. (*Sir Ralph Knox.*) Is it not also the case that the military forces of India are paid?—Yes.

19,254. They are not a conscribed force, which is practically an unpaid force?—But we are prepared to be volunteers if you will allow us.

19,255. The Army is necessarily costly when it is raised voluntarily, and not by conscription?—If you had a reserve of Indians unpaid, I am perfectly certain you would not need all that expenditure.

(*Mr. Caine.*) I might point out that, taking into account the figures which you have amended, taking the extreme figures, it does not touch the witness's argument; it does touch the figures upon which the argument is based, but it still leaves India with the highest percentage of all, so that the argument would still hold good.

19,256. (*Chairman.*) Really my object in putting the question was this: I did not ask the witness to accept my figures, but to look again at them with the view of verifying them?—This book, the "Almanac de Gotha," I had not got, and I did not consult it. I went upon the "Statesman's Year Book."

19,257. If you look through them, you will no doubt be willing to modify your figures?—I am much obliged.

19,258. (*Sir Ralph Knox.*) You think that the native forces in India could be obtained without paying them, by some method of conscription?—To some extent; not entirely.

(*Mr. Caine.*) Could Sir Ralph Knox obtain for us some accurate statement of these figures from the War Office without much trouble; we should have some more authority then.

(*Sir Ralph Knox.*) The War Office is not an authority on expenditure in foreign countries.

(*Mr. Caine.*) But you have figures, no doubt.

19,259. (*Sir Ralph Knox.*) I will see if some figures can be obtained?—The next point that arrests attention in connexion with these decentralisation measures is that while our national revenues are increasing, though largely through additional taxation, the Provincial Governments hardly get their fair share of the increase, and with the necessary result that the internal progress of the country is seriously retarded, as shown in the following table:—

Years.	Imperial Share.	Provincial.	Total of Imperial and Provincial.
	In crores or Rx. millions.		
1882–83 - -	40·37	16·334	56·70
1895–96 - -	51·64	20·805	72·44

Thus:—

Increase during 14 years:—

	Crores.
Imperial share of general revenues -	11·27
Provincial - - - -	4·472
	15·70

From the foregoing table it will be seen that, while our revenues, exclusive of railway receipts and local rates, have increased by 15·7 crores during the past 14 years, the provincial share of the *Increase* is even less than 5 crores, barely 4½ crores; over 11 crores going into the coffers of the Central Government.

19,260. (*Chairman.*) I see that you do not include on this occasion the four millions of local revenue which you included on the former occasion, which made the provincial and local up to 24 crores. No doubt you are right in so doing, but you put in that four millions in the former case?—I include only the provincial here.

19,261. And you omit, advisedly, that four millions?—Yes.

19,262. (*Sir James Peile.*) The Imperial Government does not deal with the local revenue?—Quite so. The result is, that while the Imperial Government has been able to add largely to its general expenditure, especially on military account, even in excess of the country's requirements, the provincial administrations have had to be content during the past 14 years with but restricted increases, even under the most useful and necessary heads of charge. It will be seen from the following table that, while military expenditure has increased by over six crores from 1882–83 to 1895–96, the expenditure on some of the most important departments intimately bearing upon the improvement of the people increased only by three crores.

IMPERIAL EXPENDITURE.

——	1882–83.	1895–96.	Increase.
	Crores.	Crores.	Crores.
Army expenditure - -	17·100	23·460	6·36

PROVINCIAL EXPENDITURE.

——	1882–83.	1895–96.	Increase.
	Crores.	Crores.	Crores.
Law and justice - -	3·255	4·047	·792
Police - -	2·642	4·040	1·398
Education - - -	1·145	1·536	·391
Medical relief - - -	·692	1·030	·338
Total - -	7·734	10·653	2·919

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19,263. (*Chairman.*) Do you observe that the percentage of increase is, curiously enough, almost exactly the same in both cases?—Possibly; it is the sum that differs.

19,264. For the Imperial expenditure the increase is 37 per cent. on Army expenditure, and the increase in provincial expenditure is exactly the same, 37 per cent.?—Yes.

19,265. But you will observe, for whatever it is worth, that the percentage of the ratio has been maintained?—Yes. The main principles guiding the revision of the provincial contracts are, as stated by Sir A. Colvin in his Financial Statement, 1887:—"(1.) "That the amount of the funds assigned to provincial "governments need not exceed, or equal, the amount "of the expenditure assigned at the time when the "contracts were made; provincial governments being "expected to provide by their own resources the "difference between the assigned revenue and expen- "diture. (2.) That the growth of provincial expendi- "ture during the term of a contract must be met from "growth of provincial revenue; except in cases where "considerable expenditure is incurred by local govern- "ments to meet the wishes of the Government of India, "and to carry into execution projects which are "pressed upon it by that Government. (3.) That the "Imperial Government reserves its claim at the ex- "piry of a term of contract, to such share as the "circumstances of the time may make necessary in "the increase of revenues which have accrued to the "province during the term of the contract, but which "were reserved to the provincial government during "such term. (4.) That the power of enforcing reduc- "tion, on the occasion of a new contract, of assign- "ments of revenue made at the previous contract, is "a condition implied in the system of provincial "contracts, and has been uniformly acted on." Revisions conducted upon these lines necessarily introduce an element of uncertainty into provincial finance which must interfere with the interests of domestic progress; and it is to be borne in mind that "financial certainty" was one of the aims which the scheme of Lord Mayo had in view. Nor does it appear that Lord Mayo's scheme contemplates periodical revisions of the contracts. When the Imperial and Provincial Governments both fairly start together, each with sufficiently elastic revenues, it is only right that, for all future increase of resources to meet expanding wants, they should rely, except under circumstances of abnormal pressure, on the development of their own respective sources of income. Nothing but harm could result from a periodically recurring attempt, on the part of the Imperial Government in normal conditions, to revise its financial relations with the dependent governments, and resume for its own purposes in the whole or in part any increase of revenue which might have accrued to them. When each has to rely on its own resources, there is the strongest motive to economy and careful management all round.

19,266. I take that to be the point upon which you lay your greatest stress?—Yes.

19,267. That, if each province had to rely upon its own resources, it is most likely to lay out its money to the best advantage?—Precisely.

19,268. But I also understand your view to be that in order to carry out that arrangement you will allow the Imperial Central Government and the provincial governments to take an equal share of the increase?—Precisely.

19,269. But you modify that, if I clearly understand your view, in the case of what have been called "ordinary emergencies;" if the Central Government finds it necessary to spend more than that share, you would still leave it open to the Central Government to draw upon the provincial governments — am I right — rather than increase taxation?—That is to say, the Central Government would have the first claim upon the provincial funds. The financial difficulties of the Indian Government are urged in justification of the present arrangement. They are difficulties which no responsible financial critic could ignore. But these difficulties are either temporary or permanent. If temporary, they can be met by contributions from the Provincial Governments; if permanent, they can be provided for by permanent adjustments which would take note of such difficulties. The five years' term does not permit of any large schemes of permanent improvement being projected or taken in hand, and an uncertainty and a sense of insecurity hang over every effort of the kind; and both Sir Auckland Colvin and Sir David Barbour are in favour of longer terms being allowed for these settlements.

19,270. I take it that you would have no revisions; it would be a standing arrangement that one half of the increase of revenue would go to the Central Government, and one half to the provincial?—Of the increase. But I suggest later on that, if for any reasons with which I am unacquainted it should be found impossible to give effect to this proposal—I do not know what those reasons may be, they may be administrative reasons with which I am unacquainted—then I would raise the term of the contract from five to ten years. I will go on with my suggestions later on. What is still worse, each time the contracts are revised, a reduced scale of expenditure is adopted on which to base quinquennial assignments, and only moderate increases above the scale are permitted. Thus, every fifth year the provincial resources are cut down and provincial progress is sensibly thrown back. The original scheme of the Mayo Government started with a considerable reduction of grants for the services transferred (cut down almost to the level of 1863–64), and for six years afterwards very little increase of expenditure on the provincial account occurred. Next, in 1877–78, this almost stationary level of charges (during 1871–76) was taken, with further reductions as a basis on which to regulate assignments for the following quinquennium, room being allowed only for restricted growth; the revision of 1882 was an exception, when no curtailment was effected of provincial income. But the readjustments of 1887, 1891, and now of 1897, have all gone on the old principle, starting with reductions.

19,271. One would gather it to be your opinion that the Provincial Government, since the introduction of decentralisation, have not been quite fairly treated at the close of each quinquennial year?—Precisely.

19,272. Have you got any figures to show us what was the amount of the provincial revenue as originally given over, and what it is now? You were quoting figures of the increase of the Army and the increase of the provincial expenditure. I pointed out to you that the ratio is the same, and I want to draw your attention to the point, so that you may show us, if you have the figures at hand, whether the ratio has been maintained, and whether we will say your own government —the Bengal Government—at the present moment is enjoying a considerably increased revenue compared with that which was originally handed over to it. And, further, I should like to know the sum that has been taken from the Bengal Government by the Imperial Government, omitting those amounts which have been taken for the moment and repaid last year?—Some have not been repaid.

19,273. Only taking those that have been repaid, can you show that the Imperial Government has taken over the whole period much more than what you think ought to be its share?—I can give some figures to show that at each quinquennium the expenditure increases up to the time of the expiry of the quinquennium, and then it suddenly falls, and then it increases again, and then it again falls. That is to say, at the commencement of the quinquennium the expenditure goes down, towards the end it rises, and this process is repeated.

19,274. Is not this rather a fault of the quinquennial system which you condemn, namely, that the Provincial Government begins with an estimate of the revenue; in the first year of the quinquennium the revenue rises, and during that quinquennium the Provincial Government gets the full benefit of that increase; consequently it is tempted into increased expenditure, and in the last year of the quinquennium its expenditure will probably be in excess of what it was in the first year, in fact, the Provincial Government may have gone on spending up to the hilt of its increase, unmindful of the fact that at the end of the quinquennium it will have a settling with the Imperial Government, which will want its share in the increase up to this time enjoyed by the Provincial Government?—The fact of the matter is that it leads to a dissipation of the revenue of the Provincial Government; there is always a temptation to spend as much as possible towards the end of the quinquennial period, in order that the Imperial Government should not annex anything. Therefore, if we had a fixed system instead of periodical revisions, the effect would be to prevent the dissipation and waste which takes place now.

19,275. I quite understand that in the revision the Provincial Government, having spent up to the full

sum that it was receiving in the last year of the quinquennium, is naturally irritated that the Imperial Government should ask for a share of its increase in the following year, since it has to cut down its expenditure in consequence. Your principle seems to me a very reasonable one, namely, the giving to the Imperial Government and to the Provincial Government half-and-half; but do you think that, if during the time that the decentralisation policy has been in force, that rule had also been in force, the provincial government would at the present moment be getting much more than it is now getting?—I could not give the figures, but I think that they would be getting much more, because they would be getting 50 per cent. of the increase, and the increase has been very considerable.

19,276. But at the end of the quinquennium the Imperial Government does not take the whole of the increase, does it?—No, it does not take the whole of it.

19,277. It shares it?—It shares it.

19,278. Do you think you would find, if you looked at the figures, that under the somewhat clumsy quinquennial arrangement of which you have very clearly shown us the inconvenience, the Provincial Government has got much less than it would have got if your suggestion was adopted?—That is certainly my impression; but if your Lordship wishes I will look into the figures.

19,279. I wish you would?—That view did not strike me, or I would have looked up the figures. There is yet a further liability imposed upon the Provincial Governments, which is, however, a common incident of the system. In cases of abnormal pressure, such as war, the Central Government has the power to demand special contributions from the provinces. But the reservation goes much further, and contemplates special contributions even in cases of ordinary emergency. In the Mayo scheme the reservation was explicitly made of power to modify the resources granted to Provincial Governments, in the event "of "some fiscal misfortune, such as a heavy loss in the "*opium* revenue, or national disaster, such as war or "severe famine." In 1881–82, Lord Ripon's Government repeated the reservation and in much more explicit terms, and declared "*That the Imperial Govern-*"*ment will make no demand on them,*" (*i.e.*, Provincial Governments), "*except in the case of disaster so abnormal* "*as to exhaust the Imperial reserves and resources and* "*necessitate a suspension of the entire machinery of* "*public improvement throughout the Empire.*" The reservation so made was one to which no exception could be taken. The Secretary of State, however, considered such qualified reservation inexpedient, and suggested that in all cases of emergency the Provincial Governments should be liable to be called upon to contribute towards meeting the necessities of the Empire. In 1886 the India Office repeated the suggestion. The reservation as it is now in force is in the sense of this suggestion of the Secretary of State, and largely in modification of the declarations of Lord Ripon's Government in this regard. Accordingly, on three distinct occasions since then, such contributions have been levied (1886–87, 1890–91, 1894–95), but they have been levied in view of ordinary deficits, and under circumstances which did not amount to any such "abnormal disaster" as was contemplated in Lord Ripon's resolutions.

19,280. How do you show that those were not as much as Lord Ripon gave?—They do not come under his reservation; they were years of deficit.

19,281. You say that Lord Ripon excluded abnormal disaster?—Lord Ripon's reservation was that when the revenues and reserves were so exhausted as to suspend entirely the machinery of public improvement—that went much further.

19,282. You do not consider that a deficit of income below expenditure came within that reservation?—No, I do not think so. The liability of the Provincial Governments to give special assistance in cases of emergency when so interpreted and defined, goes beyond what is right and necessary, and furnishes to the Central Government a financial reserve to which, rather than enforce economy and avoid a policy of adventure, it could securely resort in case even of ordinary embarrassments. Such is our existing system of provincial finance. Its main features may be thus summarized:—(1) The proportion of National revenues allotted to provincial uses is too small and utterly inadequate for local requirements. (2) While the revenues of the country are expanding, the provincial governments do not get an adequate share of such increase for purposes of local improvement. (3) The provincial assignments, already so meagre, are further liable to curtailments on revision in favour of the Imperial revenues every five years. Financially these settlements have all the evil effects of short-term settlements, taking away all certainty and stability from provincial administration, and seriously interfering with the even progress of provincial improvements. (4) The provincial governments are besides liable to make special contributions, even during the currency of these short-term contracts, and that too in cases of ordinary emergency, a feature of the present arrangements which imports a further element of uncertainty into provincial finance. The theory underlying the whole system has thus been laid down by Sir James Westland, from his place in the Supreme Legislative Council, in connexion with the recent Budget debate. "The revenues of India," said he, "are the revenues of the Government "of India—its constitutional possession. The Govern-"ment of India is a body created by Act of Parliament, "and, if reference is made to that Act of Parliament, it "will be seen that the revenues of India are the "revenues of the Government of India, and of that "body alone." It is not for me to enter into the legal or constitutional aspect of this question. But the obvious inference which these remarks suggest is that the Provincial Governments, representing the people who contribute the taxes which make up the revenue, have no part or share in the revenues of the country, which are at the absolute disposal of the Supreme Government, and that the Supreme Government may dole out these revenues in any way it pleases. No wonder that the working of the system has been so arbitrary and has often led to considerable friction between the Supreme and Provincial Governments.

19,283. Can you exactly say that it is arbitrary that this proportion of increase has been maintained?—That is what Sir Rivers Thompson says. I think I quote him later on. In Bengal the working of the provincial system has given rise to much dissatisfaction, and every Lieutenant-governor since the days of Sir Rivers Thompson has had occasion to protest against it. The contract of 1877 was very favourable to Bengal, as it made over to the Provincial Government three principal resources of improvable revenue, viz., excise, stamps, and registration, subject to the payment of certain progressive sums every year to the Imperial Exchequer. These three heads of improvable revenue, made over to the management of the Provincial Government with an income of 165¼ lakhs in 1876–77, showed an income of not less than 213 lakhs in 1881–82. The whole of the increase belonged to the Provincial Government, subject to the reservation to which I have referred. The result was that the Provincial Government, besides making a special contribution to the Imperial revenue of 20 lakhs in time of need, increased the staff of executive and judicial officers, provided increased facilities for the administration of justice, increased the grant on education, built schools, colleges, and hospitals, &c. (*vide* page 22 of the Honourable Mr. Risley's speech in the Bengal Council, on the 1st April, 1893). Along with these terms, provincial responsibility in respect of public works was enforced, and Provincial Governments were made responsible for great public works constructed for the benefit of the provinces. Bengal was the only province, however, which was then considered able to bear the whole of its own burden (page 16, Mr. Risley's Budget speech of 1st April, 1893). The public works cess was accordingly levied, now yielding about 40 lakhs of rupees a year, for the maintenance and the payment of the cost and interest charges of certain public works, such as the Orissa Canal, the Midnapur Canal, &c. Then came the contract of 1882, which withdrew from the Bengal Government its full share in excise, stamps, and registration. Favourable as this contract was to the rest of India, it was disastrous to Bengal. Sir Rivers Thompson, who was Lieutenant-Governor of Bengal when the provincial contract for 1882–87 was in force, thus observed in his review of his five years, administration:—"Sir Ashley Eden enjoyed the advan-"tage of a provincial financial contract with the "Supreme Government which secured to the province "under his control the entire benefit accruing from "improved administration, and which, in the event, "yielded financial results surpassing all anticipation. "During the last five years the financial history of "Bengal has been altogether different. The contract "of 1877 was succeeded by a settlement which left

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"little scope for the development of the provincial "revenues, and which speedily necessitated a serious "contraction in the scale of provincial expenditure. "It has often been difficult to provide adequately for "the ordinary requirements of the public service, and "it has been necessary rather to seek for opportunities "of effecting economies, than of introducing adminis-"trative reforms." Those were the words of Sir Rivers Thompson. The result of the provincial contract of 1882-87 was that some important measures which Sir Rivers Thompson intended could not be carried out, owing to want of means. "In September "1884, before Sir Rivers Thompson could fully realize "the financial results of the provincial contract for "1882-87, the Government of Bengal, in reporting to "the Government of India upon the proposal of the "Education Commission, admitted its responsibility "for increased expenditure on education to the amount "finally of 14 lakhs a year (over and above the amount "of 34 lakhs, which it was then annually expending) "if the recommendation of the Commission were to "be carried out to anything like completeness. Of the "total increase, 10 lakhs were to be devoted to the "direct improvement of primary schools. After a "review of the ways and means at his disposal, the "Lieutenant-Governor estimated that at the then "existing rate of development of the revenue he would "be able to work up to the total additional grant "required in nine years, by a continuous enhancement "of the educational allotment to the amount, approxi-"mately, of Rs. 1,50,000 a year. The progress of "events quickly falsified his anticipations. The Excise "Commission was then sitting, and, after it had "finished its labours, several of its recommendations "were partially adopted; the result was that the "average annual yield of the excise revenue from "1883-88, was about 4 lakhs less than the revenue "yield of 1883-84. The result was that the allotment "for education in the sanctioned estimates for 1885-86, "instead of being increased by one and a half lakhs, "was reduced by a lakh."

19,284. The upshot of the quotation is to show that the Lieutenant-Governor wished to have a perfectly free hand in spending as much as he pleased, upon, no doubt, very useful services, without much reference to what other people wanted?—This was a recommendation made by the Education Commission that the expenditure upon education was to be increased, and he thought that under the provincial contract in 1882, as compared with what it was in 1877, he would be in a position to make that expenditure, but he was precluded from doing so. This is not what the Lieutenant-Governor himself said; the quotation is from Sir Alfred Croft, and in these remarks he might be considered as a perfectly independent witness.

19,285. I am talking rather of the quotation which you have been giving us. I see that you sum up what the Lieutenant-Governor of Bengal did—increased the grant under Education, and increased the staff of the executive?—That was in 1877, when the contract of 1877 was in force. But then came the contract of 1882, which was disastrous to us, and these were the results, namely, that we wanted to increase the grant on education, and could not.

19,286. That is to say, he had eaten his cake, and wanted to have it. I presume the reduction on Excise, of which you speak as diminishing his means, was a reduction of taxation which was thought beneficial to the country?—A very proper reduction, for the reason they had increased the number of the out-stills which had demoralised and ruined our rural population, and the reduction took place in consequence of an agitation, in which Mr. Caine took part. Let us take another case. It is a notorious fact that in Bengal the salaries of ministerial servants attached to the Revenue and Magisterial courts are very low, and it has long been felt that their salaries should be raised, with a view to their efficiency. Sir Rivers Thompson appointed a Salaries Commission in 1885, consisting of some high officers of Government. In appointing the Commission the Lieutenant-Governor observed:—"The rise in prices and the cost of living, "which was anticipated by Mr. Strachey in 1865, has "continued at a constantly accelerating speed, and "for some time past signs have been apparent that "the effects of the reforms introduced in 1868 have "been exhausted, and that a further advance must be "made if the ministerial service is to be maintained "in a condition of efficiency." The Commission, of which the Hon. Mr. Grimley, now one of the members of the Board of Revenue, was a member, found that the purchasing power of the rupee had gone down by 75 per cent. since 1868, and they recommended that the salaries of ministerial officers ought to be increased, not only in the interests of the officers concerned, but also in the interests of the services and the public at large. But the recommendations of the Commission were not eventually given effect to. They have not yet been carried out. This year a sum of three and a half lakhs of rupees were provided for in the local budget, with a view to give them an increment; but the Government of India would not sanction the amount.

19,287. I think what you say about the rise in price is in accordance, at all events, with figures given by the Government in India?—Those are the figures of the Government.

19,288. But you are aware that it has been represented to us in this Commission that there has been a considerable rise?—In the towns there has been a rise, but I do not think that there has been any considerable rise in the interior. In the towns, certainly, there has been a rise.

12,289. (*Sir Andrew Scoble.*) Do they not give compensation for dearness of provisions in times of scarcity?—That is quite a different matter.

12,290. If they have not got a permanent increase in salaries, yet in this year of famine they have got compensation for the dearness of provisions?—That is so, if the price of rice is less than 12 seers to the rupee.

19,291. Then they get compensation?—Yes, but this is not the compensation to which I refer. I refer to increase of salaries.

19,292. This year is a year of famine?—Yes.

19,293. All these ministerial servants, if they did not get the increase in their pay which was contemplated, nevertheless, in consequence of the rise in prices, got the regular rate of compensation?—I want to make a qualification; it is only those who get a salary of 12 rupees a month and under who get this compensation. All that class of ministerial servants who draw salaries from 12 rupees to 100 rupees a month and upwards do not get this compensation; it is only those who get salaries of 12 rupees and under who are entitled to compensation. I was the first to bring this matter before the Government by questions in Council, and it was owing to my appeals that this was done. Sir Charles Elliott, late Lieutenant-Governor of Bengal, similarly complained of the manner in which the provincial contracts were worked in his time (and he was familiar with two provincial contracts, the fourth and the fifth). Thus he wrote in a Resolution dated the 5th November 1895 in making a retrospect of the provincial revenues during his administration of five years:—"On a review of the "entire period, it will be seen that, besides the "extraordinary benevolence of 10 lakhs levied at the "commencement of the period, Bengal has contributed "within the last five years no less than Rs. 67,46,000, "to meet the necessities of the Empire, over and "above the heads of receipts ordinarily classed as "Imperial, and in addition to this there has been a "steady growth in the receipts divided in varying "proportions between Imperial and provincial "revenues, which, while it swelled the provincial "revenues in the manner described above, yielded to "the Supreme Government an increase of nearly "51 lakhs."

15,294. (*Chairman.*) What is the meaning of that statement that 67 lacs have been given to meet the necessities of the Empire—are those contributions under "ordinary emergencies"?—Under ordinary emergencies.

19,295. Has not the larger part of that been repaid?—A considerable portion of that has been repaid.

19,296. Therefore that is a damage which the Province of Bengal suffers in common with all the rest of the Indian Empire in years of pressure and deficit; yet, at the same time, it may not have to suffer very much in the long run, because it will only take the form of postponed expenditure?—Yes, that is so.

19,297. Therefore we must not lay too much stress upon that point. They have got it back, even though it was after an interval of two or three years?—They did not get it all back. 10 or 12 lakhs they have not yet got back. Sir Alexander Mackenzie, the present Lieutenant-Governor of Bengal, thus spoke from his place in the Supreme Legislative Council on the occasion of the debate on the Budget in the year 1896:—"I must say

"I deprecate the way in which these quinquennial "revisions have too frequently been carried out. The "provincial sheep is summarily thrown on the back, "close clipped, and shorn of its wool, and turned out "to shiver till the fleece grows again. The normal "history of a provincial contract is this, two years of "screwing and saving, and postponement of works; "two years of resumed energy on a normal scale; and "one year of dissipation of balances in the fear that, "if not spent, they will be annexed by the Supreme "Government, directly or indirectly, at the time of "revision. Now, all this is wrong, not to say de-"moralising. I say that the Supreme Government "ought not to sheer too closely each quinquennium." Sir Alexander Mackenzie was equally emphatic in his condemnation of the manner in which the provincial contracts have recently been concluded with the Provincial Governments. He thus observed:—"I must, however, be allowed to throw out one "general suggestion with reference to the policy "of provincial contracts as at present worked. I do "not entirely accept Mr. Sayani's views of these con-"tracts, but there is much force in some of his "trenchant criticism. We have, as he has pointed "out, the authority of Sir David Barbour in his "evidence before Lord Welby's Commission for the "statement that the present practice is not in accord-"ance with the original intention. He says: I must "say that, when the provincial system was started, I "do not really think it was intended that the Pro-"vincial Government should have a portion of their "resources taken away periodically. If you take all "the surplus, you, to a certain extent, remove all "the inducements to the Provincial Governments to "economies. It is a weakness; the periodical revi-"sion may be necessary under present conditions, but "it diminishes the value of the system."

19,298. But I do not understand that the Central Government has ever taken all the surplus, has it? I quite understand that you make a quotation?—It is a quotation.

19,299. I am asking you as a matter of fact?—No, they have not.

19,300. (*Mr. Courtney.*) Does that mean all the growth?—They have not taken all the growth, half-and-half they generally take. In the case of Bengal, they took away half the Excise, Stamps, and Registration. Sir Alexander Mackenzie goes on to observe:—"Take the province of Bengal, with a population "of between 70 and 80 millions of people; well, that "province is big enough to have an independent "financial system." He goes on to explain that, owing to financial exigencies, the Government of India takes at revision, not only its own share of the increase in the divided revenues, but also a portion of the increase that has accrued to the Provincial Government. "I do "not know that I agree with Sir David Barbour when "he says he 'would rather see the Central Government "'embarrassed than the Provincial Governments "'starved,' but he is certainly dissatisfied with the "existing system."

19,301. (*Chairman.*) Is not the statement of Sir David Barbour what everybody would like; everybody would like an independent financial system without having to think of a Central Government, would they not?—Certainly.

19,302. It is incompatible with any kind of orderly finance, is it not, to have a number of people spending in the provinces how they please, without any regard to the Central Government's finance; you, yourself, have put that most clearly before us?—That is my view; it cannot be done. Sir Alexander Mackenzie thus proceeds; "He is evidently dissatisfied with the "existing system. Again, my predecessor, Sir Charles "Elliott, speaking with all the authority of the Pre-"sident of the Financial Committee of 1885-86, and an "ex-Member of the Supreme Council when the Bengal "Contract of 1892-97 was under consideration, strongly "urged a modification of the present system, 'so that the "'contract should be a continuing one not subject to "'sudden ruptures and renewals, but that its leading "'principle should be that all the revenues of the "'province should be provincial, the Government of "'India receiving a certain percentage on the entire "'sum, which should be the contribution of the pro-"'vince to Imperial Government and defence.' He "also represented 'the unreasonableness and the hard-"'ship of requiring every province to give up a con-"'stantly increasing share of its revenues whenever "'a new contract is framed.' I am not now concerned "with defending or advocating Sir Charles Elliott's "particular proposals. I take, perhaps, a stronger view "than he did of the claims and responsibilities of the "Imperial Government. But I quote him as being, with "all his unique experience, profoundly dissatisfied with "the present system. Sir J. Westland will probably "tell us, as he told us last year, and has quite recently "told me that Provincial Governments do not under-"stand the system or its *raison d'être*. My Lord, I think "we do understand it; at any rate we have learnt by "suffering what we have to accept as the authorita-"tive interpretation of it. But what I venture to urge "is this, that the Government of India should, with "the consent of the Secretary of State, refer the "whole question to a Conference at which the pro-"vincial governments should be adequately repre-"sented, and endeavour to lay down the lines of a "system which would be satisfactory to the Provincial "Governments, while meeting fairly the undoubted "exigencies of Imperial finance. No system can "be sound, which, with all its admitted advantages "of diminishing Imperial interference in petty de-"tails, leads to so much quinquennial bickering and "heart-burning, and involves so much uncertainty "and haphazard in provincial administration. My "Lord, I wish to do nothing to diminish the power "or prestige of the Imperial Government. My "instincts and experience are all in favour of a "strong central administration. But I do not think "that the present system is favourable to strong "administration. It places the Imperial Government "in what seems to me a false position, a position of "apparent antagonism to its own local agents." The Honorable Mr. Stevens, Senior Member of the Board of Revenue, and, if I may be permitted to add, one of the most respected members of the Indian Civil Service, thus referred, in the course of the recent debate in the Supreme Council, to the many urgent reforms, including the increase of the salaries of the ministerial servants, which, in consequence of the recent provincial contract, had to be post-poned:—"But it will not have escaped notice that, "during the first three years of the quinquennial "period, the balances were but little in excess of the "amount which is taken to represent the minimum "compatible with the convenience of the administra-"tion, and there could be no greater error than to "suppose that there are not highly important improve-"ments, necessary to good government, for which "money is urgently needed. I do not propose to "enumerate these—still less to support their claims "to consideration — by elaborate arguments which "could have no immediate practical effect. I will "mention but one or two. In the first rank I would "place the reconstitution of the General Hospital "(that is a hospital for Europeans), and the improve-"ment, to something approaching an European "standard, of the other large hospitals in Calcutta. "The condition of these most important institutions is "notoriously very unsatisfactory; yet they are not of "mere provincial utility, as regards the patients who "resort to them, or as regards their educational func-"tions; and it is not too much to say that, situated as "they are in the metropolis of India, and manned, as "they are, by officers selected for their efficiency by "a central authority, they ought to be models for "the Empire. That they should be thoroughly "adapted for their purpose demands, not merely a "preliminary outlay, but a persistent and recurrent "expenditure."

19,303. You are quoting Mr. Stevens, are you not?—Yes, my Lord.

19,304. But you have praised the administration of the municipality of Calcutta; is not the hospital of Calcutta rather a matter which should come under that administration?—The General Hospital is not under the control of the municipality of Calcutta.

19,305. Would you say that it ought to be placed under the control of the municipality of Calcutta?—The state of things is this: the hospitals are, for the most part, under the control of the Government, but there are one or two to whose expenses the municipality of Calcutta contributes. Mr. Stevens goes on to observe: "The case of the ministerial officers "has always seemed to me to be, in the main, very hard "for them, and injurious to the interests of Government. "Salaries were, for the most part, fixed long ago, but, "while these have remained practically constant, the "expense of living has been gradually and steadily

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" rising, so that the standard either of living or of " honest service must have of necessity fallen. I do " not attach much weight to the argument that when a " post of even trifling value is vacant a host of appli- " cants at once appears. For this there may be more " than one reason; but the obligation remains on " Government to pay its servants enough for them to " live on with sufficient comfort in their several stations. " In this direction, then, there is ample and urgent " need of improvement; and here, too, the necessary " expenditure is not spasmodic and occasional, but " continuous. I am confident that the personal recol- " lections of the Financial Member of his own ex- " periences as a magistrate in Bengal will support me " in my assertion that, considering the dangers, the " responsibilities, the powers, and the temptations " which are inseparable from police work, the officers " of that department, especially those in the lowest " grades, are most inadequately paid. Here, too, it is " constant expenditure that is required. Another " serious want is money for the assistance of local " bodies for sanitary improvement, especially for the " provision of drinking water. I listened with interest " to the remarks of the Finance Minister on this subject, " but he has failed to convince me. It does not follow " that a grant in aid of the supply of drinking water in " one province comes from the tax-payer of another. " If aid is given in Bombay, there are taxpayers in " Bombay. If aid is given in Bengal, there are tax- " payers in Bengal, many more of them than in any " other province. The commissionership of Patna " alone contains nearly as many inhabitants as the " whole Presidency of Bombay. The requirements of " modern sanitation are growing more rapidly than " the resources of these local authorities, and, if they " are to be met at all, demand the assistance of the " Government. Such assistance, spread over the " whole area of this great province, calls again for " increased and continuous expenditure." Sir Anthony MacDonnell, Lieutenant-Governor of the North-Western Provinces, made a similar complaint last year from his place as President of the Legislative Council of the North-West Provinces, thus, observed Mr. Risley, in his Budget speech in 1893, contrasting the system of decentralisation of finance in Bengal with similar systems in other countries: " In India, on the other " hand, no attempt is made to set apart certain kinds " of taxation as exclusively Imperial, and the division " is effected by assigning arbitrary fractional shares " to the provincial governments. Similarly, the " amount of contributions levied from time to time by " the Imperial Government is not regulated by any " intelligible principle, but varies, like the medieval " benevolences, according to the necessities of the " case." That these complaints on the part of high official authorities are not unfounded will appear from the following table, which, on my requisition, was supplied to me by the Bengal office.

The following table shows the results of the two contracts:—

	1897-98.		1892-93.	
	Imperial.	Provincial.	Imperial.	Provincial.
	(000's omitted.)			
Principal heads of Service.	12,79,17	3,72,41	13,10,21	3,03,43
Interest - -	16,24	3,09	15,46	1,62
Civil Departments -	—	39,33	—	41,05
Miscellaneous -	2,87	11,29	3,79	9,71
Railways - -	2,23,50	—	1,51,00	32,00
Irrigation -	—	24,16	—	24,14
Civil Works	—	4,45	—	4,56
Total -	15,21,78	4,54,83	14,80,46	4,16,51
Gross Total -	19,76,61		18,96,97	
Percentage on Total	77	23	78	22

It will be seen from that table that the Government, by the contract of 1897-98, took 77 per cent. on the revision, and only gave us 23; on the contract of 1892-93 the Government took 78 per cent. and gave us only 22.

19,306. I have here a table for the whole of the Provincial Governments of India, which I will hand over to you to look at, with reference to those questions I put to you about what had really been the effect of the working of the system. I will first give you these figures. The average of the whole provincial net expenditure of the first quinquennium ending 1881–82 was 10,325,000 Rx., the next one, ending 1886–87, was 11,570,000 Rx., the next one, 1891–92, was 12,846,000 Rx., and the last one, 1896–97, 13,780,000 Rx.; therefore you will see from those figures, upon which I should like to get your view when you have considered them, that the Provincial Governments, where they got an average of 10,325,000 Rx. in the first period, get 13,700,000 Rx. in the last quinquennium, which was after an interval of 15 years. That is, they had an increase of 33 per cent., from 10,000,000 to 13,000,000. You were just mentioning the progress in Bengal?—We find that the general share is two-thirds to one-third; in Bengal it is three-fourths to one-fourth, and I think these figures bear out that view, that is, whereas in the other parts of the country the share of the Imperial Government is two-thirds as against one-third to the provincial governments, in Bengal it is three-fourths to one-fourth.

19,307. I think in most States the authorities would think it a very great bargain if they could, at the end of 15 years, know that they would be getting 33 per cent. more than they were getting at that time?—I look at the question from the point of view of domestic improvement. Domestic improvements cannot be adequately carried out in consequence of the manner in which the provincial contracts are being worked, and if we had more to spend we could certainly spend it for better purposes.

19,308. Is not that the wish of every person and of everybody throughout the world? What an immense deal we could do if our income were doubled?—I am sorry to say that the Imperial Government looks upon the matter exclusively from the Imperial point of view; the Provincial Governments look at the matter from the point of view of the benefit of the taxpayers with whom the provincial governments are brought into contact.

19,309. Can you say quite fairly that the Imperial Government only looks at it from the Imperial point of view?—Very largely, if not entirely.

19,310. Remember the Imperial Government has initiated this policy of decentralisation?—But your Lordship will understand with what object; in order that those branches of expenditure which are likely to increase may not increase; and what are those branches of expenditure? One of them is education.

19,311. Is that quite fair, because these figures which I put before you, if they are correct, show that so far from there not being a margin provided, there is an increased margin?—It is only 1,000,000 in each quinquennium.

19,312. Wait a moment, it is 1 in 10 or 10 per cent. Sometimes we hear of India as a poor country; if you could get every five years an increase of 10 per cent. I do not think that would characterise even a poor country; it is a very well-to-do country?—I do not know whether your Lordship has taken that view of the matter. For instance, when the first contract was entered into the expenditure was actually cut down to the level of the expenditure which had been incurred 10 years ago, 1863-64; the expenditure under those heads which were made over to the Provincial Governments came up to 6,000,000 in 1868, and in 1864 they came up to only 5,000,000; in 1871, when the contract was entered into, they were cut down to the tune of 5,000,000; and then, again, a further reduction was made to the extent of one-third of a million.

19,313. If these figures are correct, what you get is that in the third quinquennial period, you have an increased amount to the Provincial Governments equal to 33 per cent. upon the whole period?—Yes.

19,314. And what I call your attention to is that there has been such an increase, which it may be quite possible for you to show is utterly inadequate, but still there is that increase?—I do not dispute the fact of the increase; even in Bengal, in 1892–93, the provincial share was 4 crores 16 lakhs, it is now 4 crores 54 lakhs. I do not dispute the fact of the increase, but what I do contend for is that the increase has not been adequate to the wants of the province.

19,315. (*Mr. Courtney.*) What was the produce of the share when it was first assigned?—No share was

assigned in the first instance; in 1871–72, certain heads of expenditure were made over—six in number—to the provincial governments; a certain sum of money was given over to the Provincial Governments to meet that expenditure. That was in 1871, and then, in 1877, certain heads of receipts for the first time were made over.

19,316. What was the amount of money handed over in 1871–72?—I could not tell you off-hand.

19,317. (*Chairman.*) You are going to look into that to see what was the amount?—Shall I look just now?

19,318. No?—I will look afterwards. From the foregoing table it will be seen that, under the contracts of 1897–98 and 1892–93, more than three-fourths of the revenues of the province were absorbed by the Imperial Exchequer, and were devoted to Imperial purposes, and that less than one-fourth was only left for the most urgent needs of domestic improvement. The provincial share practically remains the same for 10 years, although Bengal is the most progressive of the Indian provinces. In consequence of the inadequacy of funds for provincial purposes, the interests of education and of the administration of justice have not received the measure of attention which they deserve. The sums provided for under the head of Education were for 1895–96, Rs. 26,07,890; for 1896–97, Rs. 26,75,000; for 1897–98, Rs. 27,46,000. I may here remark that the Budget estimate for 1896–97 provided an expenditure on education of Rs. 27,76,000, but the amount actually spent was nearly a lakh less, and the estimate for 1897–98, although in excess of the revised estimate for 1896–97, is nearly 30,000 rupees less than the Budget estimate for 1896–97. His honour the Lieutenant-Governor remarked in his Budget speech, from his place in the Bengal Legislative Council, on the 4th April 1896:—"I admit that Bengal could usefully spend a "much larger sum upon education, and if our finances "continue to prosper I hope to increase the grant "considerably." (Council Proceedings for 4th April 1896, page 184). Here we have what I take it is an admission, though undoubtedly a guarded admission, as to the inadequacy of the grant upon education, coming from the highest authority in the province. "Bengal could usefully spend a much larger sum" than what has been provided for in the year 1896–97, and yet the whole of the sum provided for that year was not spent. The Budget estimate for 1896–97 provided for Rs. 27,76,000; the revised estimates came up to Rs. 26,75,000, just a lakh of rupees less than the Budget estimates. The interests of education in Bengal have suffered in another way, owing to the strain upon provincial funds. Hitherto, a part of the cost of education in the interior used to be borne in some districts by the Road Cess Fund. Under recent orders of Government, the Road Cess Fund is to be devoted exclusively to the maintenance of communications, tanks, bridges, &c. The local schools have thus to be entirely maintained out of the proceeds of pounds and ferries and a practically fixed grant which the Goverment makes. The result has been that in some districts schools which had been in existence for a long time had to be closed. It is a complaint which the Indian public have more than once repeated, that, in consequence of the pressure upon provincial funds, roads and communications which used to be maintained out of provincial funds have been thrown as a charge upon local funds, and this source of revenue available for local purposes has thus been diverted from the maintenance of village tanks and roads to the maintenance of communications previously maintained from the provincial revenues. There can be no question but that the expenditure on education, per head of the population, is the lowest in India, as compared with other parts of Her Majesty's possessions, as will be seen from the following table:—

Name of Country.	Population.	State Expenditure on Education.	Expenditure per Head.
United Kingdom -	39,134,116	£10,032,335	5*s.* 1½*d.*
Ceylon - -	3,002,466	Rs. 604,199	3a. 2½p.
India - -	221,172,952	Rs. 91,09,723	7·9p.
Natal - -	46,788*	£40,680	17*s.* 4½*d.*
Cape Colony -	1,527,224†	£176,190	2*s.* 3*d.*

* Only white population.
† Including Kaffirs, who are four-fifths of the population, on whose education, however, very little is spent.

Name of Country.	Population.	State Expenditure on Education.	Expenditure per Head.
Canada - -	4,833,239	$8,008,967	$1·6.
New South Wales -	1,132,234	£733,810	13*s.*
Victoria - -	1,140,405	£665,394	11*s.* 8*d.*
Austria - -	23,707,906	14,821,621 florins.	·6 of a florin.
France - -	38,343,192	192,986,340 francs.	5 francs.
Germany - -	51,758,264	69,305,000 marks.*	1·3 marks.
Russia - -	129,545,000	22,145,000 roubles.	·17 of a rouble.

* On elementary education only.

The expenditure under the Courts of Law in Bengal has been Rs. 88,26,340 for 1895–96, Rs. 88,90,000 (revised estimates) for 1896–97, and Rs. 89,42,000 (Budget estimates) for 1897–98. There has been some increase, though part of it, no doubt, has been due to Exchange Compensation allowance. Yet there is nothing about which there have been such frequent complaints as the law's delays, owing to the inadequate number of civil judges dealing with petty civil cases. That the number of these munsifs, as we call them (civil judges of the first instance), is inadequate to the growing demands of litigation will appear from the following table, which was laid before the Bengal Legislative Council, in reply to a question put by me:—

1. Year.	2. Number of Munsifs.	3. Original Suits disposed of under ordinary Procedure. Contested.	3. Uncontested.	4. Original Suits disposed of under Small Cause Court Procedure. Contested.	4. Uncontested.	5. Total.	6. Average Number of Cases disposed of per Munsif.
1890	262	77,060	244,673	11,168	74,908	407,809	1,556
1891	275	76,815	252,339	12,660	91,075	432,889	1,574
1892	285	84,729	267,647	18,988	137,804	509,168	1,786
1893	289	82,170	268,210	21,610	151,835	523,825	1,812

The gist of the table is this, that the number of munsifs has increased from 262 to 289, whereas the number of cases has increased from 407,000 to 523,000. From the above table it will been seen that, while the number of cases increased by nearly 28 per cent., the number of munsifs increased by 10 per cent., and yet, according to Mr. Justice Prinsep, there was a surplus of nearly 14 lakhs of rupees out of court fee stamps (page 123, "Gazette of India," March 27, 1897). In this connexion I would observe that the European Chamber of Commerce in Calcutta, a highly influential body, has recently memorialised the Government, with a view of raising the pay of the judges of the High Court. The remarks which I have made above, with regard to education and to law and justice, apply with greater or less force to all departments of civil administration. The lower grades of police in Bengal, and the ministerial officers, get virtually the pay which was fixed 30 or 60 years ago, though the price of food has increased 75 to 100 per cent. And administration is starved in a variety of ways, and all domestic improvements retarded, while at each quinquennial settlement the Imperial Government demands and obtains from the provincial government a larger share of the revenues of the country.

The proposals which I would venture to submit in connexion with the provincial contracts are these:—(1.) That Sir Charles Elliott's suggestion, which has been laid before the Commission by Mr. Gokhale, should, if possible, be adopted. It is a proposal which would avoid revision, afford fiscal certainty, place the local administrations in possession of adequate funds to carry on domestic improvements, and at the same time the provincial revenues would be available for Imperial purposes, which would be the first charge upon those

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revenues. (2.) If, however, it should be found impracticable to accept this suggestion, for reasons with which I am unacquainted, I would say that the period of contract should be raised from five to ten years, that the terms of the contract on the occasion of each revision should be laid before the provincial councils for discussion before final submission to the Supreme Government, the Council being empowered to move amendments in connexion with the proposals submitted, and that, if the Government of India should be unable to accept the terms to any serious extent (say within 50,000 rupees), the matter should be referred to the Secretary of State for final decision. As for allotments, they should be made with due regard for provincial needs and wants, and not with reference to past expenditure or past allotments.

19,319. That, I think, concludes what you wish to say to us on the subject of provincial contracts?—Yes.

19,320. You are going to proceed to give us your opinion on the growth of expenditure?—Yes. The question of the wider employment of the people of India in the public service of their own country, is more or less a financial problem. The expenditure has gone on increasing, especially in the military department; and Indian public opinion regards the growth of military expenditure as utterly beyond what the country can bear, and as seriously interfering with legitimate expenditure on the most necessary domestic improvements. The people of India who are capable of forming a judgment on the subject are at one with Sir H. Brackenbury in the opinion that the cost of the portion of the Indian Army in excess of what is necessary for maintaining the internal peace of the country should be met from the British Exchequer, and the expenses of the salaries of the European portion of the Army ought to be fairly apportioned between England and India. Until this is done, the resources of India will not be found equal for the purposes of good and progressive government, and no improvement is possible in the condition of the masses. 'By the wider employment of the people of India in the public service economy would be introduced, and an impetus imparted to the intellectual and moral elevation of the people. Ten years ago, the Public Service Commission, presided over by the late Sir Charles Aitchison, at that time Lieutenant-Governor of the Punjab, and consisting of some of the most distinguished officials and non-official representatives of the day, reported upon the question of public employment in India. The gist of their recommendations may be summarized as follows:—That indigenous agency should be more largely employed in the public service, that the recruitment of the official staff in England should be curtailed, and advantage taken of qualified agency obtainable in India. In other words, the provincial service recruited in India should be the backbone of the administrative agency, subject to European supervision and control. "Considerations of "policy and economy alike require," observed the Commission in their Report, "that, so far as is con- "sistent with the ends of good government, the "recruitment of the official staff in England should be "curtailed, and advantage taken of qualified agency "obtainable in India." As a matter of fact, however, the higher appointments in almost all branches of the public service are held by Europeans, although more than 10 years has elapsed since the Commission have submitted their Report. The Public Service Commission found, in 1886, that out of 1,015 officers in the superior engineer establishment, so many as 810 were non-domiciled Europeans, 119 Europeans domiciled in India, including Eurasians, and only 86 were natives of India (page 122, Public Service Commission Report). The Commission observed, to use their own words, recruitment from Cooper's Hill College as being "at present excessive." We find, however, that at present there are 800 engineers of the superior establisnment, of whom only 96 are Indians.

19,321. What is that Public Service Commission?—It was a Commission which was appointed in Lord Dufferin's time, with a view to inquiring into the question of public employment in India.

19,322. Who was the chairman?—Sir Charles Aitchison. The Public Service Commission recommended that one-third of the judgeships should be held by members of the provincial service; the total number of district and sessions judges is 126, out of these five only are Indians, according to Mr. Jacob's table. This cannot be correct; Mr. Jacob's table gave the minimum number, and, therefore, I ought to state that it is the minimum number. As a matter of fact, the number is more than five; for in Bengal alone we have seven district and sessions judgeships held by members of the statutory service.

19,323. Would you define what you mean by the provincial service and the statutory service?—The statutory service was the service which was created in Lord Lytton's time, and the object of the service was to give effect to the rules which had been framed under the statute of 1870, to give appointments hitherto reserved for the covenanted service to the natives of India. An examination was held, and certain gentlemen were appointed to the statutory service. The Public Service Commission recommended that the Statutory Service should be abolished, and that a Provincial Service should be organised. The Provincial Service is a kind of subordinate service in relation to the Covenanted Service, and the Public Service Commission recommended that certain appointments should be withdrawn from the covenanted service; they recommended that 108 appointments should be withdrawn, but the Government of India sanctioned about 93 or 94. But even in Bengal, which is considered to be the most advanced province in the matter of the employment of natives of India in the public service, the percentage recommended by the Public Service Commission has not been attained in regard to a class of appointments for which natives of India are considered to be especially qualified; for out of 30 district and session judgeships, only seven are held by members of the statutory service. It ought to be 10. According to the recommendation of the Public Service Commission, 10 of these appointments should be held by them. Further, according to the recommendations of the Public Service Commission, one membership of the Board of Revenue, one Commissionership of Division, one Under Secretaryship to Government, one Secretaryship to the Board of Revenue, should be excluded from the list of reserved appointments, and should be held by members of the provincial service. With one exception, nowhere are these appointments held by members of the provincial service. In the North-West Provinces the Secretaryship to the Board of Revenue is held by a member of the provincial service. As members of the statutory and provincial services draw two-thirds of the salary attached to the reserved posts, when they hold such posts, there would be considerable saving by giving fuller effect to the recommendation of the Public Service Commission. On the Bengal establishment there are 267 civilians, including members of the statutory and provincial service, holding civil service appointments, of whom 24 are Indians, and 243 are Europeans. The monthly salaries, including allowances, drawn by the Indians, come up to Rs. 30,000; those drawn by the Europeans come up to Rs. 4,00,000 in round numbers. In the same way in the Police Department the higher appointments in Bengal are practically monopolised by Europeans, though the Public Service Commission distinctly recommended (page 120 of the Report) "that "endeavours should be made to introduce a reasonable "proportion of native officers, due regard being always "had to the efficiency of the service." Including the Calcutta Police, there are 108 of these appointments, from the post of superintendents and upwards. Of these, 101 appointments are held by Europeans, and seven only by natives of India. The monthly salaries, including allowances, of the European employés, come up to 60,000 Rs. in round numbers; the monthly salaries of the native employés come up to Rs. 3,000 in round numbers. In this connexion I may mention that a competitive examination is held in Calcutta, and another in London, for recruitment to the higher offices in the police. From these examinations natives of India are excluded, although there is nothing to prevent their appearing at the open competitive examinations for the Indian Civil Service, provided, of course, they complied with the necessary terms and conditions.

19,324. Are they absolutely forbidden?—Absolutely excluded; and I asked a question in Council, and they said that those were the orders of the Government of India.

19,325. (*Sir James Peile.*) But these examinations are to obtain the number of Englishmen required for that service. When you invite tenders for one article, you do not expect to have another?—But why should natives of India be excluded from these appointments; it is contrary to the terms of the Queen's proclamation, and the promise of equality we received in regard to other appointments.

19,326. They cannot hold the appointments which Englishmen are holding, but they may hold other similar appointments; no order has been passed that they are not to be superintendents of police?—These are appointments relating to district and assistant superintendents of Police. Natives of India are permitted to be district and assistant superintendents, and I ask why should they be excluded from the examination for recruitment to these offices?

19,327. Because you are holding the examination to obtain that proportion of Englishmen whom you want; you do not give the whole of those appointments to natives; they are partly held by Europeans and partly by natives, and to obtain the English proportion you hold the examination?—That means that a racial qualification is introduced into these appointments.

19,328. You want a certain proportion of Englishmen in those appointments, and to get that proportion you hold a competitive examination for Englishmen?—There is nothing which says that a certain proportion of these appointments should be held by natives; it is only a question of qualification. There is nothing said either by the Public Service Commission or by the Government of India to the effect that a certain proportion must be held by Europeans; I am not aware of any rule which would justify any order of that kind.

19,329. It must be obvious that Europeans are wanted for those appointments?—They might be nominated the same way as natives of India are nominated.

19,330. What is your injury? If we want certain Englishmen to hold certain posts, and if the Government chooses to hold a competitive examination to obtain those Englishmen for those posts, where is your injury?—My objection is a two-fold one. In the first place, the bulk of the appointments are held by Europeans, and then you appoint effete, worn-out, dilapidated inspectors of police to be district and assistant superintendents of police.

19,331. Effete natives?—Yes, that is an absolute fact.

19,332. Is not that a very good reason for having some Englishmen among them?—That is a very good reason why they should be admitted to these examinations, so that young men might come forward and show that they possessed the necessary qualifications.

19,333. Then you should recommend the Government to have a separate examination for natives?—I would have an examination both for natives and for Englishmen. Have what intellectual and moral qualifications you please, but let there be absolute equality, and no racial disability.

19,334. (*Mr. Caine.*) You mean, have the examinations simultaneously in the two countries?—Exactly, simultaneously.

19,335. (*Chairman.*) Your contention is that there ought to be no bar put between the Europeans and the natives?—Precisely so, my Lord.

19,336. And you are opposed to keeping certain qualities of employment for Europeans?—I am opposed.

19,337. (*Mr. Courtney.*) You would not object so much, perhaps, to a certain proportion, say one-third of the officials being required to be Europeans, or one-half, as the case may be?—I would not object if there was reasonable adjustment; I would not object to that; but, at the present moment, it is practical exclusion, and that is what I strongly object to, and what my countrymen object to.

19,338. (*Mr. Naoroji.*) And all the highest appointments are reserved to Europeans?—Just so.

19,339. (*Mr. Courtney.*) You were speaking of these special appointments—superintendents of police—are they intermixed, Europeans and natives?—There are seven natives and 101 Europeans, as I have said, and the result of that is that cases of burglary, cases of theft, and cases of murder, are constantly taking place, and the absence of detective ability is notorious, simply because there are these heads of police who are Europeans unacquainted with the language, manners, and institutions of the country. There seems to be no reason for this exclusion on the ground of race, for the district and assistant superintendents of police have done their work admirably, and one of them recently distinguished himself by the capture of a number of dacoits, as will be seen from the following report in the newspapers:—

"Babu Girindra Chunder Mukerji, Assistant Super-
" intendent of the Bengal Police, had an encounter
" with five dacoits on the road connecting Ichhapore
" and Shamnagar on Saturday night. The dacoits
" attacked the coachman of the hackney carriage in
" which the police officer was driving from Naihatty
" to Barrackpore at midnight. Hearing the noise, he
" jumped out of the carriage, and caught the men.
" They were then placed inside the carriage and
" brought to the Barrackpore police station. They
" will be tried by the Deputy Magistrate of Baraset."
Further, the exclusion of natives of India from the examinations to which I have referred, is in direct conflict with the terms of the Proclamation of Her Majesty of the 1st November 1858, which, in clear and emphatic terms, laid down that merit was to be the sole test of qualification for office in India, and that Indian subjects, of whatever race or creed, were to be freely admitted to all offices, the duties of which they were qualified by their ability, education, and integrity duly to discharge. In Bengal, burglaries and other offences against property are believed to be on the increase, and the people of Bengal attribute this partly to the want of detective power in the European heads of the District Police, and to their want of familiarity with our customs and language. It is a notorious fact that a district superintendent of police is unable, through his ignorance of the language of the people, to inquire into the ordinary cases of theft and burglary, and the larger employment of Indians in the police would, therefore, add to the efficiency of the force, while reducing the total expenditure.

19,340. (*Sir W. Wedderburn.*) It leads to the Europeans being very much in the hands of their subordinates?—Entirely, and that accounts for the corruption which prevails in the police department.

19,341. (*Chairman.*) I do not quite follow. If these appointments were in the hands of natives, why should they make the subordinate officers pure?—For the simple reason that they would exercise a most vigorous control over them—far more vigorous than could be exercised by Europeans. A native head of a department would know much more about the subordinates than a European head would be expected to know; he would know their language, and would come into contact with the people, would be intimate with their habits, and so forth; he would exercise a much more vigorous control—other things being equal—over native subordinates than a European could be expected to do. In the Public Works Department we find the same thing. There are 69 appointments in the superior establishment in Bengal, of which 53 are held by Europeans, and 16 are held by Indians. The total monthly salaries, including allowances, drawn by the Europeans, come up to Rs. 49,000, in round numbers, the monthly salaries paid to the Indians come up to Rs. 6,000 in round numbers. In the Opium Department, excluding the opium agents and factory superintendents, who are covenanted civil and medical officers belonging to the Indian Medical and Indian Civil Service, we find there are 27 sub-deputy opium agents classified under five grades in the civil list of the Bengal Presidency, corrected up to 1st January 1897. Together their salaries come up to Rs. 17,600; not a single native of India has a place in these grades, although the Public Service Commission recommended "equality of treatment of all classes of Her Majesty's subjects" in regard to their appointment to offices in this department. Out of 44 Assistant Sub-Deputy Agents, there are only nine who are natives of India. Their monthly salaries come up to Rs. 2,250. The monthly salaries paid to the European employés come up to Rs. 10,400. With regard to the employment of natives of India in the Customs Department, it may not be out of place to quote the remarks of Sir Charles Trevelyan:—"There are whole classes of employment", said Sir Charles Trevelyan, "for which the natives are "specially qualified. The natives are specially "qualified for revenue functions. The whole of the "appointments in the Customs might be filled by "natives." But what are the facts? With one exception, the superior appointments in the Customs Department in Calcutta are filled by Europeans. Their total monthly salaries come up to Rs. 12,360. There is not a single Hindoo or Mohammedan name to be found among the officers of the Preventive Service, although the Public Service Commission recommended that "there is no ground for the exclusion of qualified "candidates of any race from the appraiser's or the "preventive branches of the department." The Public Service Commission point out that "native Christians "in Bombay have been employed in the Preventive

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"Service, while a Bramin Preventive Officer in Madras "is admittedly efficient, and in discharging his duties "has experienced no difficulty owing to his race" (page 97, Public Service Commission Report). I have been informed that a Parsi gentleman so efficiently performed his duties as an appraiser in the Bombay Customs Department, that he was asked by the authorities after he had retired on pension to *re-join* his appointment on the passing of the recent Tariff Act imposing duties on imported goods.

With regard to the medical services (Bengal), in 1877 there were 67 commissioned medical officers, of whom five were Indians. There were, in addition to the above, 28 uncovenanted medical officers; of these seven were apothecaries (all Europeans), and three were Indians. In 1887 there were 62 commissioned medical officers, of whom only six were Indians. There were 29 uncovenanted medical officers, of whom only four were natives of India, the other 25 were Europeans and Eurasians (13 apothecaries and 12 non-military medical men). There were 142 assistant surgeons. In 1897 there were 66 commissioned medical officers, of whom only four were Indians. Thus practically the number of commissioned officers on the Bengal establishment who were natives of India remained stationary for a period extending over 20 years, from 1877 to 1897; in fact, the number in 1897 was slightly less. In 1897 there were 36 uncovenanted civil medical officers, of whom only four were Indians; the rest were Europeans and Eurasians; 25 were apothecaries, and seven non-military Europeans. The total amount of monthly pay drawn by the commissioned officers in 1897 was Rs. 66,024, out of which the four Indians get Rs. 3,870 per month. There are 138 assistant surgeons, all Indians, drawing a salary of Rs. 26,296 among them. Thus it will be seen that the 62 European commissioned officers draw more than double the salary of all the assistant surgeons in Bengal put together, whose number, it should be remarked, is double the number of the commissioned officers. Roughly speaking, the European establishment, superior and subordinate, costs about Rs. 75,000 a month; the native subordinate establishment, consisting of 138 assistant surgeons, costs about Rs. 26,000 a month. The European establishment thus costs about 75 per cent., the native 25 per cent. It will also be seen that, while the number of apothecaries holding the higher appointments has increased by over 300 per cent., the number of natives of India employed has actually decreased. There is a distinct tendency to put the apothecaries, who are now called assistant military surgeons, over the heads of Indian assistant surgeons, although their medical training is inferior to that of the Indian assistant surgeons. Appointments have been taken away from the Indian assistant surgeons and given to the military assistant surgeons. Their status has been improved. They begin on a salary of 75 rupees a month. The assistant surgeons begin on 50 rupees a month as supernumeraries. The pay of the assistant surgeons was fixed about 60 years ago as follows:—Third grade. Rs. 100; second grade Rs. 150; and first grade, Rs. 200. There are, besides, a few prize appointments which carry a higher salary. The scale of pay remains unchanged after 60 years, notwithstanding the petitions presented to the Government on their behalf, notwithstanding that the pay of the subordinate judicial and executive services has been raised, and notwithstanding the fact that the price of food has more than doubled itself within the last 60 years. While the highly paid officers of Government receive exchange compensation allowance, it is remarkable that this deserving class of Indian public servants should continue to draw a scale of pay which was fixed for them 60 years ago.

19,342. Now you are going to deal with the reorganisation of the Medical Department?—Yes. The medical service may be so organised as to lead to considerable economy without interfering with efficiency. There are at present (July 1896) about 375 commissioned medical officers in Bengal, besides 25 military assistant surgeons who have received honorary commissions. Of the medical officers who have received their commissions in England about one-half are employed on military duties, mainly in military charge of native regiments. The remainder are in civil employ. The medical charge of a native regiment may, with advantage, be held by a native military assistant surgeon, instead of the more expensive commissioned European medical officer. At present, to each native regiment (as well as to each detached wing or squadron), besides one commissioned medical officer, one or generally two hospital assistants are attached for duty. These last receive a medical training in vernacular for three years—commence their duties on Rs. 20 a month—reaching the maximum of Rs. 80 during their service of 32 years. The commissioned (European) medical officer, when in charge of a regiment, commences with a minimum of Rs. 386 per month, plus on the average 12 per cent. on his pay as exchange compensation allowance. In a cavalry regiment he draws Rs. 65 in addition for horse allowance. The pay increases according to the length of service, and there is nothing to prevent him from holding the medical charge of a regiment for the entire period of his service. Thus, after 20 years' service, he draws Rs. 1000 per month, exclusive of allowances, for doing the same work for which he received Rs. 386, plus allowance, when he joined the service. I submit there is no necessity for keeping up such an expensive system for the following reasons:—The duties of a military medical officer are of two kinds, first, such as those that devolve upon him in cantonments, and those that he is called upon to perform in war time. In cantonments the average daily sick in a regimental hospital is under 4 per cent. of the strength. That is, in a regiment of between 800 or 900 men, the number of sick sepoys present in hospital rarely exceeds 20 or 25. In a cavalry regiment the number is considerably less. The cases, as a rule, are mostly of a trivial nature, and can be easily treated by a properly qualified native assistant surgeon. I consider it as unnecessary waste of money to pay 800 or 1,000 Rs. a month to look after 20 sick sepoys, most of whom are in hospital for very trifling complaints. As for the British officers attached to a native regiment, I would suggest that they and their families may be looked after by an officer of the Army Medical Staff. Excepting in the Punjab frontier and Assam there is always a detachment of British troops wherever native regiments are stationed. The Army Medical Staff officer in medical charge of the British troops can, for a small additional consideration, look after the British officers and their families. On the Punjab frontiers there are generally two native regiments with a battery of artillery stationed at one place. The senior medical officer also performs the duties of the civil surgeon of the station. I would say that one Army Medical Staff officer, with a sufficient number of native assistant surgeons, can perform all the duties just as well and far more inexpensively than what obtains at present. As for the medical service in war time, it is admitted that the present arrangement is unsatisfactory. The greatest difficulty is experienced to obtain a sufficient number of medical officers. The only alternative is to engage a large number of commissioned medical officers, for whom, as I have shown above, there is hardly any work during peace time. The remedy I would suggest is that a sufficient number of native military assistant surgeons may be trained in the country, paid on the scale of civil assistant surgeons, and who will perform all the professional duties, the administrative portion of them being left to experienced officers of the Army Medical Staff. In place of the present system of imperfectly qualified hospital assistants, and a limited number of very highly paid commissioned medical officers, there will be a large number of properly qualified men who will, for all practical purposes, be quite equal to their duties during peace or war. The present civil medical system is open to greater objection. A civil surgeon of a district is supposed to look after one or two hospitals at the head-quarters of a district. Generally speaking he is in charge of the district jail, not only as a medical officer but as its superintendent. He is the superintendent of vaccination for the district as well as sanitary adviser to the head of the district. This by no means finishes the category of his duties. A lunatic asylum, a leper asylum, or a blind asylum—sometimes all three—are thrown in the lot. He is also responsible for the meteorological returns of his district. First, as to hospital work. At places like Benares, Agra, Lucknow, the civil surgeon is supposed to look after over 125 beds in the different hospitals scattered through the town; while at Jessore, Faridpur, Noakhaly, the number of beds varies between 10 and 12. It will strike most people that 125 patients are more than what can be properly attended to by a single medical officer, and that looking after five or six patients in hospital is hardly exhaustive work for one medical man. But such is the curious anomaly of the system that not only the same emoluments are received by the two medical officers so differently situated, but the one who has almost nominal work to do can, by the present

arrangement, draw more pay than his infinitely more hard-worked *confrère*. To do away with all these anomalies, and for the better management of hospitals, I would suggest, and I believe the time has arrived to carry out the suggestion, that the system which, I understand, obtains in England may be partially adopted in India. There is a large number of properly qualified independent medical men trained in India as well as in Europe, who will accept the post of honorary surgeons and physicians in the large hospitals at the head-quarters of the provinces and districts. As to the fitness of the Indians to hold such appointments I would point to the Campbell Hospital, Calcutta, to the comparative list of surgical operations performed by commissioned European medical officers and Indian civil assistant surgeons, as well as to the few Indian commissioned medical officers who have been permitted to hold civil appointments. In large towns there is generally a hospital for Europeans exclusively. At all these places there are highly qualified independent European medical practitioners, who, I am sure, will be only too glad to offer their services gratuitously to such institutions. As for the hospitals for Indians, I would suggest the appointment of honorary physicians and surgeons may be left in the hands of the municipalities or other local bodies. All the hospitals suffer for want of funds. The Inspector-General of Civil Hospitals, North-Western Provinces, observes, in his triennial report, ending 31st December 1895 (page 20): "As a consequence of the want of means, many civil "surgeons not only find the greatest difficulty in "meeting the demands for the most ordinary and "inexpensive medicines, but have also to defer or "abandon the purchase of necessary instruments." Proper diet, which is such an important factor in the treatment of diseases, is supposed to be adequately supplied at the average cost of 1 anna per diet (page 55, North-Western Province Triennial Report, and page 93. Annual Report of the Dispensaries in the Punjab, for 1895). At some places, such as Jhelum and Pind Dadan Khan, that modest amount is supposed to be quite large enough to meet the expenses of even two diets. When it is considered that the average famine diet costs about 2 annas per head, the sum expended in the nourishment of sick patients in the Indian hospitals cannot be open to the accusation of wanton waste. At the Ramsay Hospital, at Naini Tal, which is a hospital for Europeans, the average cost of each diet is Rs. 3. 0. 9. (page 75, Triennial Report of the Dispensaries of North-Western Province, ending 1895), which shows what is supposed to be the proper expense for a sick diet; and the contrast between this diet and that allowed to the sick native of India is striking.

19,343-5. (*Sir D. Stewart.*) You say that there is only an anna expended on the diet of patients in an hospital which you quote?—Yes, I have got the figures and the returns too.

19,346. Are you aware that those patients are allowed to have their own meals, with the sanction of the doctor—anything they like?—I am not aware of that. I am not aware of such a rule; but at any rate that would be a charge which the hospital would incur on that account.

19,347. But are you aware that the patients are allowed to have any meals that they like, with the approval and sanction of the medical officer in charge?—I was not aware of that.

19,348. It is the fact?—That would apply to Europeans too?

(*Sir D. Stewart.*) No; Europeans are dieted by regulation; natives have any food that they like, provided that the doctor does not oppose it. If the doctor prescribes a particular diet for them, they get it, whatever it is; medical officers have the power to give their patients what they like.

(*Mr. Naoroji.*) What he has is paid for by the patient himself.

19,349. (*Sir D. Stewart.*) Yes, but Europeans are subjected to hospital stoppages?—(*Witness continuing his statement.*) Such being the state of things, it is highly uneconomical to keep up a large number of military medical officers at an enormous cost. In some hospitals the pay alone of the commissioned medical officer comes up to more than the combined expenses of assistants, menial establishment, medicines, surgical instruments, and dieting, of all the hospitals and dispensaries of the entire district. As, for instance, the total expenditure during 1895 stood thus in the following districts in the North Western Provinces:—

	Rs.	a.	p.		
Almora -	5082	2	5, page 51	}	Triennial Report ending 1895.
Dehra Dun -	6582	1	3, page 59		
Etwah - -	5806	14	11, page 63		

If the above were in charge of a surgeon-captain, his pay would come up to Rs. 6,600 a year, exclusive of exchange compensation allowance. By adopting the method here suggested there would be a considerable saving of expense.

There are 23 superior appointments in the Forest Department. With a single exception they are all held by Europeans. The monthly salaries drawn by the European members of the Forest Service come up to Rs. 12,100; the salary drawn by the single Indian member of the service is Rs. 300 a month. The public service recommended "that the staff should be "divided into an Imperial and provincial branches, "and that as in the Imperial Civil Service the Imperial "branch of the Forest Service should be a *corps d'élite* "limited to the number of officers necessary to fill the "superior controlling appointments, and such a "proportion of the Assistant Conservator's posts as "will ensure a complete training of the junior officers." They further recommended "that the Government "should keep in view the policy of training in India "men qualified to take charge of the higher adminis-"trative appointments, so as to avoid, as far as "possible, the necessity for expanding the Imperial "branch of the service." From the facts stated above, it does not appear that any serious effort has been made to train natives of India so that they might take charge of the higher appointments; for, with one exception, these appointments are filled by Europeans.

19,350. (*Sir James Peile.*) You could not all at once substitute natives for Europeans; before the native could be trained, some time must elapse?—But that was 10 years ago. The Public Service Commission reported in 1886, and now it is 1897.

(*Sir James Peile.*) The report may have been 10 years ago, but when were the orders issued?—I suppose in the course of a year's time.

19,351. They would take a little more time than that, I am afraid?—I was looking over these appointments. The appointment held by the Indian is that of extra Assistant Conservator; extra Assistant Conservator is not one of the covenanted appointments.

19,352. He may not have been fit for any thing more at the time?—But there may be other native extra Assistant Conservators; what was there to prevent other natives being appointed to the position of extra Assistant Conservators?

19,353. You must give time for a rule of that character to be introduced?—10 years have elapsed, and there is only one native employed in the department. Ten years seems to be a sufficient time.

19,354. (*Mr. Naoroji.*) Is any arrangement made to train natives to occupy the higher posts?—There are native rangers, and appointments of that kind, but the recommendation of the Public Service Committee had reference to the higher appointments.

19,355. Are they trained for it?—I do not think they are trained for it.

19,356. (*Chairman.*) Do you know that they are not being trained?—I am not aware that anybody is being trained for that office of a conservator.

19,357. What is the method by which the Europeans are obtained; where are they obtained?—By competitive examinations held in this country.

19,358. And there is no competitive examination held in India?—None.

19,359. And you do not know, if I understand you, of any means by which access is given to the natives to those higher employments?—None, that I know of.

19,360. (*Sir James Peile.*) Are they not trained at Cooper's Hill College?—After an examination, as I understand.

19,361. After a preliminary examination they are trained there?—Yes.

19,362. Are natives excluded?—I think so, but I do not venture to put it forward, for this reason: the latest rules are that all natural-born British subjects of Her Majesty are to be appointed to these offices. I asked

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Sir Romesh Chunder Mitter, late officiating Chief Justice, as to what was meant by "natural-born British subjects," and he thought the examination was confined only to Europeans. But I should not like to make that statement until I feel more sure about it; but that is the new rule, and I have commented upon that rule upon those lines—that it seems very likely that the natives of India are excluded. The words of the Regulations regarding the Indian Civil Service were, "any natural born subject;" here it is "all natural born *British* subjects," therefore, the inference seems to be that we are to be excluded. But I want to take more advice about it before I put forward a statement like that.

19,363. (*Mr. Mowbray.*) By whom were these regulations drawn up by?—By the India Office, I suppose.

19,364. Do they come from the Government of India?—This appeared in the Gazette of India.

19,365. In India itself—not issuing from the India Office?—I read it in India itself, in the Gazette of India.

19,366. (*Chairman.*) We pass on now to the Educational Service?—Yes. The Educational Service in Bengal, which has recently been re-organised, has given rise to much dissatisfaction. Under the orders of the Secretary of State "the Department is to be "divided broadly into (*a*) the superior service, and (*b*) "the subordinate service. The former will consist of "two branches, one including all posts to be filled by "persons appointed in England, which will be called "'the Indian Educational Service,' and the other "including all posts to be filled by recruitment in "India, which will be known as 'the Provincial "Educational Service.' The Indian Educational Ser"vice will consist of 27 officers. The Provincial "Service is to consist of 104 officers." The recruitment for the Indian Educational Service taking place in England, it need hardly be observed that natives of India will have little or no chance of appointment to the superior grade. Indeed, it would seem, from the orders of Government, that natives of India, with degrees from the universities of England, Scotland, and Ireland, are now to be admitted only to the Provincial Service, for we find the following laid down in the scheme as sanctioned by the Secretary of State: The Provincial Educational Service is to consist of 104 officers, as follows:—

5	Inspectors of schools.
10	Assistant inspectors.
7	Principals, and
51	Professors of colleges.
24	Head masters of collegiate and training schools.
7	Others, including the (1) assistant superintendent, and the (2) head master of the school of art, (3) the personal assistant to the Director of Public Instruction, and (4) supernumerary appointments (professorships) to be filled by Indian gentlemen with degrees from the universities of England, Scotland, and Ireland, or by Premchand Roychand students.
Total 104	

The concluding words of the extract which I have quoted support the view which I have put forward, viz., that it appears to be the intention of the resolution to confine the employment of Indians practically to the Provincial Service.

19,367. Does that follow? You say, first of all, that it will be seen from the orders of the Government that natives are now to be admitted only to the Provincial Service, and then you follow by giving the Provincial Educational Service "to be filled by Indian gentlemen "with degrees from the universities of England, Scot"land, and Ireland, or by Premchand Roychand "students?"—That is an Indian degree.

19,368. Are they Indians?—They are all Indians.

19,369. The students?—That is so; the whole resolution is that appointments in the Provincial Service are to be given to Indian gentlemen possessing degrees from the universities of England, Scotland, and Ireland

19,370. The whole of the 104 are?—If your Lordship will take the members of the Provincial Service, they would, for the most part, be Indians, I expect.

19,371. I do not see that there is anything there?—That is the point to which I want to call your Lordship's attention, viz., that these professorships in the Provincial Service are to be filled by Indian gentlemen with degrees from the universities of England; that is the point.

19,372. (*Mr. Naoroji.*) They are all included in the seven?—Yes, they are all included in the seven. There is absolutely no reason for this exclusion, when it is borne in mind that Indian gentlemen in the Educational Service, with degrees from the English universities, have attained to the distinction which has been achieved by men like Dr. Bose and Dr. P. C. Roy. They are able to hold their own against any Englishman in the particular departments in which they have won distinction; but in future, under the operation of the new scheme, men like them will be relegated to the Provincial Service.

19,373. (*Sir James Peile.*) What would be the particular disadvantage of their being in the Provincial Service?—It is an inferior service, with inferior pay.

19,374. You mean the pay is lower?—Yes, and the distinction too.

19,375. That is to say, they are cheaper?—The Provincial Service is cheaper.

19,376. That is one of the great advantages that Mr. Naoroji has been impressing upon us as to be obtained by the employment of natives?—Precisely.

19,377. Why do you object?—I do not object to the Provincial Service as a service, but we say why should the elite and the best of our men be sent to this inferior service, while you have a superior service practically exclusively for Europeans?

19,378. It is not a question of inferior or superior service, but a question of pay?—It is a question of pay and distinction.

19,379. It has been impressed upon us that the great advantage of employing natives would be the saving of pay?—I entirely accept that view, but in this matter I say that up till now we had an educational service in the superior grade of which natives of India had a place; now you make rules the effect of which would be practically to exclude them. I think that is a grievance.

19,380. (*Chairman.*) How do you arrive at that?—I will explain that presently. In the first place, it is laid down that the recruitment to the superior grade shall ordinarily be made in England for the superior service; secondly, that the Indian gentlemen who may obtain degrees from English universities will be appointed to the Provincial Service. Putting the two things together, the conclusion is irresistible that we are to be relegated to the Provincial Service, and to that service alone.

19,381. (*Sir James Peile.*) I think that is perfectly correct. I should like to ask you this also. Have you read the report of the Commission?—Very carefully.

19,382. They distinguished between the two classes of professors, or rather between the subjects which they taught The native gentlemen on the Commission quite agreed that Englishmen are quite indispensable for such subjects as English literature, and things of that kind, whereas they pointed out that for mathematics and science, and one or two other matters, it was quite possible to find natives who were sufficiently efficient?—Yes.

19,383. A division was therefore made, namely, that the Englishmen, who were indispensable for teaching English literature and the like, should be appointed in England to the Indian educational service, while natives, who are competent to teach mathematics and so on, should be appointed to the Provincial Service in India?—I have not the smallest objection to the employment of a considerable element of Englishmen in the higher Educational Service; but what I complain of is this, that the effect of this rule would be completely to exclude my countrymen who are properly qualified from that grade.

19,384. I should rather put it, that temporarily your countrymen are excluded from professor's chairs, which they are not competent to fill at present?—Is there any professional chair connected with electrical science which Dr. J. C. Bose is not qualified to fill?

19,385. That is one of the Chairs which was considered by the Commission as being one which natives were competent to fill?—I understand the Government of Bombay has laid down the principle that a professor in science ought to be brought out from England.

19,386. I am not aware of that?—Yes; my friend, Mr. Gokhale, has given me this information.

19,387. I think you are mistaken?—At any rate, that is my information.

19,388. We have got Mr. Naigamvala in Bombay at the present time?—Under these rules, or under the old rules?

19,389. You informed me of the rule, otherwise I am not aware of it?—My complaint is that here are these orders laid down, the effect of which orders would be, in practical operation, to exclude the most qualified Indians from appointments to which they are entitled under the existing rules.

19,390. I have explained to you that you misunderstand it?—Your suggestion was that the Public Service Commission made that recommendation.

19,391. It was adopted by the Secretary of State?—If I had the book before me I could read the recommendation, but I do not know——

19,392. That is the principle which has been adopted by the Secretary of State?—The Lieutenant-Governor of Bengal strongly protested against the whole thing, and he must have had the regulations before him.

19,393. (*Sir William Wedderburn.*) I understand that you wish each case to be decided on its own merits, and that there should be no arbitrary rules based on racial grounds?—Entirely.

19,394. (*Sir James Peile.*) Then you go against the recommendation of the Public Service Commission, upon which some most eminent native gentlemen served?—But I may differ from them in regard to small matters, if I do differ.

(*Sir James Peile.*) Certainly.

19,395. (*Sir William Wedderburn.*) Is it not the case that a considerable majority of that Commission were officials, and the majority of that Commission were Europeans?—That is so.

19,396. (*Sir James Peile.*) The native members concurred in the recommendations?—Exactly; on the distinct understanding that the whole of their recommendations should be given effect to, and they regret that they ever did concur.

19,397. And this was one of them?—I have not seen it.

19,398. (*Mr. Naoroji.*) If some particular subjects were confined to Englishmen, that is no reason why a distinction should be made, for a number of Educational Services to be entirely given to them by rule and a number of natives excluded from them by it?—The objection is that it is based on racial considerations; it means that natives are to be excluded.

19,399. (*Sir James Peile.*) Excluded from certain chairs which they are not yet competent to fill?—I should like to know what position Dr. J. C. Bose is not competent to fill in electrical science.

19,400. What rules of exclusion are you referring to?—I am referring to those two quotations, namely, that the recruitment shall ordinarily take place in England; and secondly, that Indian gentlemen with university degrees obtained in England are to be admitted only to the Provincial Service.

19,401. But these science chairs now belong to the Provincial Service; the mathematical chairs have been handed over to the Provincial Service?—I am talking of the Imperial Service. I say that a man like Dr. Bose, if he had the degrees which he had, when appointed to the superior service, would now be appointed to the Provincial Service, and I think that would involve very great unfairness.

19,402. He would not be appointed to a professorship of English literature, because an Englishman is more suitable?—It is not the particular office, but the particular grade.

(*Sir James Peile.*) The offices were divided between the Imperial and the Provincial Services on that principle; those which specially required Englishmen were made Imperial, and those which native men are found competent to fill were put in the Provincial Service.

(*Mr. Naoroji.*) Why should it be decided first of all that certain offices are entirely suitable to Englishmen only?

(*Sir James Peile.*) I refer you to the report of the Commission.

19,403. (*Mr. Naoroji.*) But the report of the Commission is not altogether an infallible one; there has been a great deal in the Commission which was very considerably criticised?—My contention is that our status is distinctly lowered.

19,404. (*Mr. Mowbray.*) What is the date of these rules which you have been quoting?—They are very recent; this year. This is quoted from the "Calcutta Gazette" of the 27th March last.

19,405. Your contention is that these rules have modified the existing rules to your disadvantage?—Precisely.

19,406. (*Chairman.*) Do I gather that your chief objection to them is that a distinction is made, inasmuch as Europeans are appointed to the superior educational service while the native gentlemen are appointed to this Provincial Service, which you look upon as being of a lower grade?—Precisely so: that is exactly the point.

19,407. And you are objecting to what you think is a racial distinction which marks the native gentleman as of an inferior class?—Certainly, my lord.

19,408. (*Mr. Mowbray.*) Are any Englishmen employed in these educational positions in the Provincial Service?—There are not many Englishmen, but Eurasians. There may be one or two Englishmen who have graduated in India, but not many; there are Englishmen and Eurasians. It is indeed the case that the Government of Bengal itself is not satisfied with the scheme, inasmuch as the prospects of the officers in the lower grades are very discouraging, and the scheme fixes the pay of the lower grade of the Provincial Service at Rs. 150 a month, while the pay of the lowest grade in the other provinces appears to be higher. This is what Sir Alexander Mackenzie, the Lieutenant-Governor of Bengal, observed in this connexion, in his resolution dated the 26th March 1897: "His Honour "observes that, owing to the narrowness of the scale "of the Provincial Service, as compared with existing "salaries, the prospects of officers in the lower classes "are very discouraging. For instance, officers now "placed in Class VI., on Rs. 250, of the service, are all "in Class III. (Rs. 200–21–300) of the existing service, "and before they can receive any increase of pay they "must rise to the top of Class VI., and then move "slowly to the top of Class V. He also observes that "the Provincial Services of other provinces are practically devoid of Class III. on Rs. 150. Sir Alexander "Mackenzie regrets this state of things, and, with a "view to improving the prospects of the Provincial "Service, he proposes at an early date to consider "whether something may not be done by assigning a "greater number of officers to some of the intermediate "classes."

19,409. (*Chairman.*) Next you propose to take the Survey Department?—Yes. The Public Service Commission in their Report observe that the admission to the junior division should not be confined to special classes of Her Majesty's subjects (evidently referring to the practical exclusion of Indians from the Provincial Service of the Department), but that it should be recruited by competition from among selected candidates (page 152, Public Service Commission's Report). In this Department there has always been considerable objection to the employment of Indians, as will be seen from the following memorandum written by Colonel De Prée, late head of the Survey Department, which was laid before the Public Service Commission:—"I may here remark incidentally that my "numerous late inspections show me that the tendency "of the European surveyors is to stand and look on, "while the natives are made to do the drawing and "hand-printing, as if they thought themselves quite "above that sort of thing. This is a mistake, and "cannot be permitted for the future. Besides, it is "suicidal for the Europeans to admit that natives can "do any one thing better than themselves. They should "claim to be superior *in everything*, and only allow "natives to take a secondary or subordinate part. In "my old parties, I never permitted a native to touch a "theodolite or an original computation, on the principle "that the triangulation or scientific work was the "prerogative of the highly paid European, and this "reservation of the scientific work was the only way by "which I could keep a distinction so as to justify the "different figures respectively drawn by the two classes "between the European in office-time and the native "who ran him so close in all the office duties as well as "on field duties. Yet I see that natives commonly do "the computation work, and the Europeans some other "inferior duties." The Public Service Commission also noted the objection to the employment of natives of India in their Report, and they observe:—"The Junior

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"Division has been hitherto officered for the most "part by Europeans domiciled in India, and Eurasians, "of whom many have passed the Matriculation "Examination of the Indian Universities. In the "year 1884 the Government of India determined "that natives should be employed in the Junior "Division, believing that educated or trained Natives "could be found who were competent to perform all "the duties of the subordinate staff, and that, as the "competence of such natives had not been made the "subject of trial, the presumption of incompetence could "not be admitted" (page 132). The fact, indeed, seems to be forgotten that at one time the head of the Computing Department of the great Trigonometrical Survey was a Bengali gentleman (Baboo Radhanath Sikdar), who performed his duties with remarkable ability and efficiency. As it is, we find that in the Survey Department, out of 119 appointments in the Provincial Service, only 10 are held by Indians. The monthly salaries and allowances paid to European employés come up to Rs. 35,715, while the monthly salaries paid to Indian employés come up to Rs. 2,012. There is not a single Indian in the six grades of extra assistant superintendents, comprising appointments the salaries of which vary from Rs. 300 to Rs. 500 a month.

19,410. Now, you will perhaps take the Telegraph Department?—Yes. There are in the Indian Telegraph Department 82 superior appointments, exclusive of the Examiner and Deputy Examiner of Accounts. All these appointments, with two exceptions, are held by Europeans, and by students passing from Cooper's Hill College. The monthly salaries drawn by the European employés come up to Rs. 56,025; the Indian member of the Telegraph Department, who is also a passed student of Cooper's Hill College, draws a monthly salary of Rs. 300. There is one other Indian member of the Department who is appointed on the Provincial scale of pay and gets Rs. 150 a month. The Government of India resolved, on the recommendation of the Public Service Commission, to make some appointments to the Telegraph Service on the Provincial scale of pay, which is about 66 per cent. of the scale of English pay, from among the native students of the Thomason College, Roorkee (*vide* Government of India Resolution, No. 156, P.E., of 25th August 1892, P.W.D.) Since the publication of this Resolution 21 appointments have been made, out of which four have been made in India, and of the four only one has been given to an Indian, the other three have been conferred on Eurasians. If the Government had exercised the powers which it assumed by the resolution referred to above more largely, and the terms of which are quoted below,* there would have been a saving of expenditure and a proportionate relief to the finances. The Thomason Engineering College is equipped for the purpose of turning out duly qualified candidates for the Telegraph Service. There seems to be little doubt that some of the Indian Colleges are turning out students whose services might with advantage be utilised for the Telegraph and other scientific Departments, with considerable relief to the public exchequer. Dr. J. C. Bose, Professor of Science in the Government Presidency College in Calcutta, who has acquired a European reputation by his discoveries in connexion with electrical science, thus observed in a paper that he read in this country on the progress of science teaching in India:—"The advanced students "whom we hope to train in our laboratories, will form "the best material for recruitment to the various "scientific departments under the State. The students "who now work in electric science in our Presidency "College Laboratory, acquire a very high efficiency in "it, and it would be an advantage to the Telegraph "Department to utilise their services. Indeed, this "was at one time contemplated, and Sir Alfred Croft, "the retiring Director of Public Instruction, interested "himself in it. It is to be hoped that something will "be done in this direction." If the hope expressed by Dr. Bose is fulfilled, a considerable impetus would be imparted to the teaching of science in India, and the interests of economy would also be ensured. The Public Service Commission practically made the same recommendation. They recommended the gradual reduction of the staff recruited in England, and that a superior local telegraph service should be recruited in India from classes to be established at one or more of the Indian Engineering Colleges (pages 139). There are 85 sub-assistant superintendents divided into two grades, 41 being in the first grade, and 44 in the second grade. The maximum pay allowed in the first grade is Rs. 350 per mensem; in the second the maximum is Rs. 275 per mensem. There are only two Indians in these two grades. If the Department were re-organised and the native Indians employed more largely, it would be possible to place it upon a more economical footing. It would seem that all telegraph masters and signallers receive in addition to their substantive pay an allowance in the shape of house rent of Rs. 15 and Rs. 10 per month respectively when posted to Presidency towns, and Rs. 10 and Rs. 5 respectively when employed in out-stations. But this rule does not apply to natives of India. In other words, it is only the European and Eurasian telegraph masters and signallers who are entitled to this privilege. In 1882 the Government of India in the Public Works Department issued the orders granting house allowance to all telegraph masters and signallers, with the exception, of course, of such as were provided with quarters. In 1883, orders were issued that native telegraph masters and signallers were not entitled to the allowance. Some native Christian signallers who had adopted the European mode of living prayed for this house allowance, when they received the following letter in reply:—

From the Director-General of Telegraph to the Superintendent, Calcutta Office, No. 3375T, dated 26th September 1890.

SIMLA,

SIR,—With reference to your letter, No. 2596T, dated the 16th of September 1890, I have the honour to inform you that under the orders of the Government of India native signallers, as distinguished from the European and Eurasian signallers, are not entitled to house allowance when not provided with quarters. By natives must be understood pure Asiatics, and the details of religion and dress that may be adopted by natives are questions which do not enter into the matter.

2. I am unaware of any special exceptions to this rule that may have been made in former years, but, if such exceptions exist, they afford no grounds for any further additions to them being made.—I have, &c. (signed) C. H. REYNOLDS, Director Traffic Branch.

The house allowance granted to telegraph masters and signallers comes up to the sum of Rs. 7,661.2 ans. a month, or nearly a lakh of rupees a year. The details are given in the following statement:—

GOVERNMENT TELEGRAPH DEPARTMENT.

House allowance drawn by the Europeans and the Eurasians signallers serving in the following telegraph divisions,

	Rs.	as.	p.
1. Bellary Division	37	8	0
2. East Coast	35	0	0
3. Madras	919	13	9
4. Bombay	4,485	6	8
5. Nagpur	53	8	0
6. Rajputana	392	1	1
7. Sind and Beluchistan	418	6	4
8. Punjab	416	0	0
9. Kashmere	342	5	8
10. Bengal	280	15	0
11. Arrakan	143	0	0
12. Lower Burmah	374	0	0
13. Upper Burmah	279	0	0
14. Calcutta	1,422	1	6
15. Oudh and Rohilkhund Division	62	0	0
16. Assam and Dacca Divisions (because the signallers and the telegraph masters in these two divisions are provided with quarters).	Nil		
	9,661	2	0
1. Number of European and Eurasian telegraph masters	157		
2. Number of European and Eurasian signallers	1,145		
Total	1,302		1,302
Number of Native telegraph masters	15		
Number of Native signallers	324		
Total	339		339
Grand total			1,641

* "The number of appointments shall ordinarily be two and one in alternate years, but these numbers may be varied according to the requirements of the Department, due notice whereof will be given."

No. 1 draw Rs. 15 and Rs. 7½ when posted to Presidency towns and muffusil respectively when not provided with quarters.

No. 2 draw Rs. 10 and Rs. 5 when posted to Presidency towns and muffusil respectively when not provided with quarters.

If all telegraph masters and signallers were natives, it is very obvious that under the existing rules the whole of this amount would be saved, and the saving would be in proportion to the employment of natives as telegraph masters and signallers. The distinction is invidious and causes bitterness and ill-feeling between persons working in the same department, and to the prejudice of public business.

19,411. You would, perhaps, like to take the Post Office now?—Yes. The all but practical exclusion of Indians from the higher appointments in the Post Office is felt as a grievance. The "Amrita Bazar Patrika," one of the leading organs of public opinion in Bengal, refers to the subject in a leading article in its issue of the 7th April last, headed "European Monopoly of Post Office." The facts stated are remarkable, and I desire to submit them for the consideration of the Commission. "The state of things in "1886 stood as follows:—

	European.	Native.
Chief Officers - - -	23	2
Superintendents - -	85	35
Sea Postal Officers - -	5	7
Miscellaneous Officers - -	18	22
Postmasters - - -	42	23
Total - -	173	89

"Since then there has been no appreciable improvement, as will be seen from the following facts "mentioned by the "Amrita Bazar Patrika," from an "official statement containing the names of Chief Officers "and First Grade Superintendents corrected up to the "1st May 1896. The Director-General of the Post Office "is a European, and he draws Rs. 3,000 a month. The "Postmasters-General of Bengal, Madras, Bombay, "Burmah, and the Punjab, are all Europeans, and their "respective salaries per month are 2,000, 1,750, 1,750, "1,500, and 1,400 rupees. The Postmaster-General of "the North-Western Provinces is only an Indian, "Mr. K. J. Badshah, his salary being Rs. 1,750. He "holds a different office now; but he is a civilian, and "he has access to the highest post in any department "under the State. Let it also be borne in mind that "the Postmaster-Generalship of the North-Western "Provinces was reserved especially for an uncovenanted "officer of Asiatic race. The postal authorities in their "evidence before the Service Commission admitted "this fact. As regards the other chief officers, the "Deputy Director-General, pay Rs. 1,750; the In-"spector-General, railway mail service, pay Rs. 1,400; "Assistant Inspector-General, railway mail service, "pay Rs. 500; three Assistant Directors-General, pay "Rs. 1,000, Rs. 700, and Rs. 700, respectively; First "Grade Deputy Postmaster-General, pay Rs. 1,400; "two Second Grade Deputy Postmasters-General, pay "Rs. 1,000 each; three Third Grade Deputy Post-"masters-General, pay Rs. 700 each; and one Deputy "Postmaster-General, pay Rs. 500, are all Europeans. "There is only one Indian amongst these officers, "namely, Mr. C. J. Lalkaka, who officiates as Inspector-"General, railway mail service, on Rs. 800 a month. "The other Chief Officers are, one Comptroller, pay "Rs. 1,200; one Deputy Comptroller, pay Rs. 700; two "Assistant Comptrollers, pay Rs. 600 and 500 respec-"tively. With the exception of the Deputy Comp-"troller, Babu Woma Charan Dass, all others are "Europeans. We now come to the lowest class of "chief officers, namely, Presidency Postmasters. There "are three of them, namely, Postmaster, Bombay, pay "Rs. 900; Postmaster, Calcutta, pay Rs. 800; and "Postmaster, Madras, pay Rs. 750. Every one of them "belongs to the Europeans. Next to Chief Officers are "First Class Superintendents, pay Rs. 400–500 per "mensem. We find in the statement before us the "names of 21 such superintendents. It was expected "that, at least, in this class of officers, the Indian "element would prevail over the European. For it is "essential that these superintendents should have a "thorough and intimate knowledge of the vernaculars "of the country to carry on their duties with village "postmasters. But what do we find? Only *four* are "Indians, and the remaining 18 Europeans. So, out "of 46 Chief Officers and First Grade Superintendents, "there are only *six* pure Indians, the two Indian Chief "Officers being almost in the lowest grade!" Yet the Post Office was one of those departments in respect of which no one who was not a native of India could hold any appointment carrying a salary of Rs. 200 a month and upwards, without the previous sanction of the Governor-General.

19,412. Will you take the Services next?—Yes.

19,413. And then Exchange Compensation?—Yes.

19,414. (*Mr. Mowbray.*) You said, "He used to be"; to whom were you referring?—Mr. Badshah has just been appointed Comptroller; but at the time to which this report refers he was Postmaster-General, but now he has been appointed Comptroller of Postal Accounts. With reference to the Services, I may here observe that the Indian public view with grave disappointment the fact that effect has not been given to the resolution of the House of Commons of the 2nd June 1893 on the question of Simultaneous Examinations. In the opinion of the educated community in India, Her Majesty's Proclamation of the 1st November 1858, declaring merit and not race as the sole test of qualification, will remain unfulfilled, so long as simultaneous examinations in connexion with the Indian Civil Services are not held in India as well as in England. This was, indeed, the view put forward with special reference to the Open Competitive Examinations for the Indian Civil Service by a Committee of the India Office, which reported on this matter in 1860. They observed:—"It is obvious, therefore, that, when "the competitive system was adopted, it could not "have been intended to exclude natives of India from "the Civil Service of India. Practically, however, "they are excluded. The law declares them eligible, "but the difficulties opposed to a native leaving India "and residing in England for a time are so great, "that, as a general rule, it is almost impossible for a "native successfully to compete at the periodical "examinations held in England. Were this inequality "removed, we should no longer be exposed to the "charge of keeping promise to the ear and breaking "it to the hope. Two modes have been suggested by "which the object in view might be attained. The "first is, by allotting a certain portion of the total "number of appointments declared in each year to be "competed for in India by natives and by all other "natural-born subjects of Her Majesty resident in "India. The second is, to hold simultaneously two "examinations, one in England and one in India, both "being, as far as practicable, identical in their nature, "and those who compete in both countries being finally "classified in one list, according to merit, by the Civil "Service Commissioners. The Committee have no "hesitation in giving the preference to the second "scheme, as being the fairest, and the most in accor-"dance with the principles of a general competition "for a common object." Numerous petitions have been presented to the House of Commons from all parts of India for effect being given to the Resolution of the House. But the Resolution remains a dead letter. It may generally be stated that, if the great departments were recruited upon the principle that, wherever a native of India was qualified for an office, he should be appointed to it, and if the pay was adjusted with reference to the local marketable value of the qualifications required, a considerable saving in public expenditure would follow.

19,415. (*Chairman.*) Now will you take Exchange Compensation Allowance?—The employment of a costly European agency in the administration to a larger extent than what the financial condition of the country justifies has a financial bearing which is not to be overlooked. Exchange Compensation Allowance has been granted to the non-domiciled European employés of the Government. In 1893–94 Exchange Compensation Allowance came up to Rx. 624,411; in 1894–95 it rose to Rx. 1,249,591; and in 1895–96 it rose to a still higher figure, viz., Rx. 1,338,163. The Indian Association, of which I am the Secretary, protested against the grant of exchange compensation allowance, and addressed a communication to the Government of India on the subject. The Government admitted that the servants of Government to whom Exchange Compensation Allowance had been granted had no legal claim to it. A member of the Bengal Civil Service, Mr. Lea, refused to draw the allowance, on the ground that he was not legally or morally entitled to it.

Mr. Surendranath Banerjea.

17 May 1897.

19,416. What do you mean by "not legally entitled to it"? Was it not within the power of the Government of India to grant it?—Not in that sense, my Lord; not according to the covenant. They have no legal right, but, of course, the Government of India can give it; but from that point they have no legal right.

19,417. The civil servant himself had no claim to it?—Just so. If Exchange Compensation Allowance had been granted upon the actual remittances sent home for family purposes, no matter whether by Indian or European servants of the Government, one of its most objectionable features would have been withdrawn, though Indian opinion would still have condemned it. As a matter of fact, there are at present in England members belonging to the families of Indian gentlemen in the Civil and Medical Services, for whose maintenance and education those gentlemen make regular remittances. They draw no Exchange Compensation Allowance. On the other hand a large proportion of European gentlemen in the Civil Service, who are unmarried and have no remittances to make for their families, get Exchange Compensation Allowance. As it is, Exchange Compensation Allowance is granted to all non-domiciled European servants of the Government, no matter whether they joined the service before or after the depreciation in the value of the rupee had begun. It is granted to those whose salaries are fixed by statute, and a question has been raised as to whether they are entitled to it, but all the same they continue to draw it. Sometimes it is difficult to explain the principle upon which the allowance is granted.

19,418. You say that it is granted to those whose salaries are fixed by statute; are there many officers whose salaries are fixed by statute?—The judges' salaries are, I think, fixed by statute.

19,419. Is it not the case that, as a rule, the salaries now given to civil servants in India were fixed a long time ago?—Certainly (*continuing statement*). I will give an instance. Mr. Chackerbarty, Deputy Accountant-General, Bombay, does not draw any Exchange Compensation Allowance, but his brother in the Revenue Department of the Bombay Government gets the allowance. But, while Exchange Compensation is thus granted to the highly paid European servants of the Government at an annual charge of over a crore of rupees, the Government is obliged to refuse an addition to the pay of ministerial servants on the Bengal Establishment, who draw small salaries and are exposed to great temptations, although a Commission, appointed to inquire into this matter, and consisting of some distinguished Government servants, recommended, so far back as 1886, on the ground of the rise in the price of provisions, that their pay should be increased by 75 per cent. More than a crore of rupees is spent to provide Exchange Compensation, while so important a question of domestic reform as the separation of judicial and executive functions in the administration of criminal justice cannot be taken up for the alleged want of funds. Salaries should be fixed according to the importance of the duties to be performed and the market price of the labour of men competent to discharge those duties. This was practically the recommendation of the Public Service Commission: they say (page 85 of the Report):—"The Commission would adjust the conditions of the "provincial service by the consideration of the terms "which are necessary to secure locally in India the "desired qualifications." Formerly this principle was recognised, and the scale of pay was not varied according to the nationality of incumbents. If the same principle is re-affirmed and the salaries of appointments which, on political grounds, need not be reserved for Europeans, be fixed with reference to the plentiful supply of competent Indian labour, a very much lower scale of pay would be sufficient, and if a European were to be appointed to any of these offices he should not get more than the pay so fixed, in the shape of Exchange Compensation Allowance or otherwise. A large saving could be effected in this way. In case of appointments reserved for Europeans on political grounds, or for British interests mainly, it is only right and proper that there should be an apportionment of charge between England and India.

19,420. I think that only leaves us the question of the apportionment of charges?—Yes.

19,421. (*Sir James Peile.*) You have been pressing very strongly the small amount of employment of natives of India?—Yes.

19,422. And you have been pointing out, especially, the particular departments in which a great number of Europeans are employed, to illustrate your doctrine. I should like to ask you this question: Do you, or do you not, admit that, on the whole, the policy of the English Government has been in the direction of giving increased employment to natives of India in the public service?—Certainly, but we would wish that the policy was more progressive.

19,423. You want them to go faster?—Yes, you have not gone sufficiently fast.

19,424. For you?—I think for all of us; for you too.

19,425. Do you mean, to satisfy us?—You have been giving, I mean, the English people have been giving, us up to this moment promises and pledges, and so forth, and our contention is that those pledges have been inadequately redeemed; they can only be adequately redeemed by a larger employment of the people of India.

19,426. Let me call your attention to one fact, that is, that in every engagement, and in every proclamation and statute, there has been one condition laid down, and that is the condition of fitness?—Our contention is that we are fit, more so than you choose to employ us; we are handicapped by your holding these examinations in England, and not simultaneously in India and in England.

19,427. The Government of India, of course, has to judge in every case whether a sufficient standard of fitness has been attained, and I think that its conclusions must be accepted, must they not? You are quite right to agitate, no doubt?—I think, if you will permit me to say so—and I will speak with the utmost candour—the Government of India and ourselves stand in a somewhat conflicting position in regard to this matter. The Government of India is government by the civil servants of the country, and, naturally enough, the civil servants of the country would like to keep their own preserves.

19,428. Has not the Government always been admitting natives more and more freely?—Slowly, very slowly; much more slowly than the progress of the country would justify.

19,429. That is for them to decide?—It is for us also to have something to say about the matter.

19,430. You are quite entitled to your opinion?—That is what we say; and what possible objection could there be to holding this simultaneous examination in India and England, except the belief that there would be such a number of successful natives that the English candidates would be swamped.

19,431. I see the greatest objection?—There we are not likely to agree.

19,432. (*Chairman.*) That leaves us now the question of the apportionment of charges?—With regard to the second part of the reference, viz., the apportionment of charges for purposes in which both countries are interested, I beg to observe that Indian public opinion supports the view that India should be chargeable with the cost of the Native Army necessary for the maintenance of internal peace, but that, the European Army and the European officers in the Native Army being quite as much necessary for British as for Indian interests, the British Exchequer should in justice pay a fair share towards their maintenance. With regard to the North-Western frontier wars, much has already been said, and I shall only repeat that, as these wars concern the interests of both countries, the expenses connected therewith should be equitably adjusted between them. If in this adjustment there should arise differences of opinion as to the proportion to be paid between the two countries, some machinery for arbitration should be devised.

19,433. With reference to that point I will only ask you one question. Do you admit that India is interested in keeping a sufficient force to maintain her own frontier from invasion?—She is interested, but England is also interested—that is what we say—for the maintenance of British supremacy.

19,434. Supposing that India were not dependent upon England, India would still be interested in keeping her own frontier from invasion?—Certainly.

19,435. And, therefore, to whatever extent India keeps up a reasonable force for the purpose of safety from invasion, would you go so far as to say that for that purpose India should pay?—Not exclusively, because

keeping out a foreign enemy from Indian soil at the present moment, under existing circumstances, is as much the interest of England as it is the interest of India, having regard to the relations between the two countries, and the maintenance of British supremacy.

19,436. In the Army Commission report of 1879—I am not quite sure of the year, but I think it was 1879—they classed the countries from which danger might be apprehended. Naturally speaking, there is Afghanistan, Russia, and Nepaul. Take Nepaul; do you think we sitting here in England are very much interested, or interested to any extent you can speak of, compared with what the Indians are, who live in the neighbourhood of Nepaul; is not the matter much more important to them that the Nepaulese, if they choose to quarrel with us, should not be able to overrun the country?—We are more interested than you are, but at the same time, inasmuch as you are interested, we want that you should pay according to the measure of your interest.

19,437. And, of course, in return, inasmuch as the two empires are connected, you are interested—I should not have otherwise put forward this point—you are interested in our being safe from invasion, and *per contra*, you should be at once ready to subscribe to keep us free from being invaded by France?—Is that within the range of practical politics, that India should come to the assistance of England?

19,438. Very much so; they are two relative obligations. If we are interested in saving the plains of India from being devastated by the Nepaulese, Indians are interested in keeping the plains of England from being devastated by the French?—I certainly accept the principle which your Lordship has suggested, subject to practical limitations and consequences.

19,439. (*Sir William Wedderburn.*) I would refer you to the report of the Public Service Commission, paragraph 58. I think that that seems to restrict certain appointments; it is with reference to what Sir James Peile has referred to. That recommendation seems to restrict certain appointments, not to Englishmen, but to the condition of their being recruited in England?—Yes, that is so—that the recruitment should be made in England only; that is to say, it does not refer to the race, but to the place where the recruitment is to be made.

19,440. So that, according to that, we might suppose that an Indian might equally be recruited in England as an Englishman?—Certainly.

19,441. (*Sir James Peile.*) Will you read the second qualification; there are three, A, B, and C?—That recruitment should be made in England only for principalships of colleges, professorships in those branches of knowledge in which the European standard of advancement has not been attained in India. When the Indian has attained to that standard of advancement, he would not be excluded by this.

19,442. I do not think he is?—But, as it is, he would be under the new system.

19,443. No?—If you will allow me to read the last portion restricting Indian gentlemen with English University degrees to the Provincial Service.

19,444. I should say that, if the Secretary of State chose to appoint Professor Bose, and certainly no man could be more worthy to be appointed than he, to a professorship on the terms on which professors are recruited from England, there is nothing, as far as I know, to prevent that being done. The question has not come up, as far as I know, and it may hereafter have to be decided; but, as the matter stands, I should say that there certainly is nothing in anything the Secretary of State has said, in his orders on the Public Service Commissioners' Report, which would exclude Professor Bose from ranking as an educational officer appointed in England by the Secretary of State, and with the conditions which attach to such appointment?—As I read the scheme, I have given my interpretation; but I should be very glad, indeed, if the Secretary of State would appoint in the way you have suggested; that would be certainly relaxing it.

19,445. I do not say that he would, except in very exceptional cases, that is to say such a case as that of Professor Bose?—So that practically the higher service is closed to us; it comes to that.

19,446. No; but the recruitment should be in England?—The recruitment shall ordinarily take place in England, and those Indian gentlemen who take degrees in the universities of England, Scotland, and Ireland, shall ordinarily be appointed to the Provincial Service. Putting the two things together it comes to this, that we are excluded from the higher grade service.

19,447. Native gentlemen are ordinarily to be recruited in India for the Provincial Service?—Even those who take degrees in this country are to be relegated to the Provincial Service. That seems to exclude us from the higher service.

19,448. (*Chairman.*) I only wish to ask this in conclusion. The impression left upon my mind, from the evidence you have been so good as to give us, has been this. You have pointed out—as it appeared to me, very reasonably—a great many defects; and, further than that, you have brought very clearly before us the directions in which you would impress upon the Commission improvements in the methods of Indian administration ought to be sought. At the same time you have spoken of there being a stoppage of Parliamentary inquiries into Indian affairs, and you appear to be under the impression that a great deal of consideration is wanted on the part of those responsible for the Government of India in the way of granting further rights to the Indian community. Taking these 40 years, since the Crown took over the Government of India, has there not been a very steady progress in the direction of admitting Indians to a greater share in their Government, and in decentralization; that is to say, giving the provinces a greater power over their own finance, all of which is progress in the direction which you advocate? Is not the real difference between you and the Indian Government rather in the rate of progress than in the fact that the policies are much opposed?—Our policies are not opposed. I, and those whom I represent, regard the Indian Government as a progessive Government; if we did not, we should not be here giving our evidence. But we think, having regard to the wonderful progress which the country has made since the assumption of the Government by the Crown, in the words of a great writer "the India of Lord Ripon "is no more like the India of Lord Ellenborough than "the England of Queen Victoria is like the England "of Queen Anne"—having regard to the wonderful progress of the country, we do not consider that the progress made by the Government has been adequate to meet the requirements of the country. That is the whole of our case; it ought to be much faster.

The witness withdrew.

(Adjourned till Friday next at 11 a.m.)

At the India Office, Downing Street, S.W.

FORTY-SEVENTH DAY.

Friday, 21st May 1897.

PRESENT:

THE LORD WELBY, G.C.B. (CHAIRMAN), PRESIDING.

Sir WILLIAM WEDDERBURN, Bart., M.P.
Field-Marshal Sir DONALD STEWART, Bart., G.C.B., G.C.S.I.
Sir E. W. HAMILTON, K.C.B.
Sir RALPH KNOX, K.C.B.
Sir JAMES PEILE, K.C.S.I.
Sir ANDREW SCOBLE, K.C.S.I., Q.C., M.P.
Mr. T. R. BUCHANAN, M.P.
Mr. W. S. CAINE.
Mr. DADABHAI NAOROJI.
Mr. R. G. C. MOWBRAY.
Mr. COLIN G. CAMPBELL, *Secretary*.

Mr. G. Subramania Iyer.

21 May 1897.

Mr. G. SUBRAMANIA IYER recalled and further examined.

19,449. (*Chairman.*) I think, Mr. Iyer, that we have dealt with the different points upon which you wish to give evidence up to the Famine Insurance grant, have we not?—Yes.

19,450–3. Then perhaps you would tell us what you wish to say upon that subject, would you?—A good deal has been said and written about Famine Insurance grant; while Indian public opinion maintains that the original licence tax and certain local cesses, now known collectively as the assessed taxes, were imposed specially for this purpose, and that the 1½ millions which this additional taxation yielded is an amount of revenue to be assigned under the most distinct pledge of the Government to the construction of railways to protect the people against famine, the Government has of late contended that no such pledge was intended to be given. Taking the 15 years from 1877–78 to 1895-96, and according to Government account, the Government has set aside during this period Rx. 17,644,185 of its revenues for the purposes of famine relief and insurance.

19,454. (*Sir James Peile.*) What is the first item?—Rx. 17,664,185 of its revenues have been set apart for the purposes of famine relief and insurance, and has, over and above this, realised a surplus of revenue of Rx. 7,180,275.

19,455 A surplus of revenue besides?—Yes, I quote this from the financial statement, 1896–97. This surplus does not include Rx. 3,632,435 charged under railway revenue account; that is, this amount has been paid for interest on account of the Bengal-Nagpore and the Indian Midland Railways. To these two amounts, that is, to Rx. 10,812,710, the taxpayers have a claim, and they should be restored to famine protection purposes.

If the Budget figures of 1896–97 and 1897–98 were added, the amount paid as charge for Indian Midland and Bengal-Nagpore Railways would be nearly Rx. 4½ millions; and this represents a totally unwarranted diversion of the fund towards an object for which it was originally never intended to be utilised. In fact, in the earlier years, when a reference was made by the Government of India to the Secretary of State whether the fund could be appropriated for payment of interest on loans, the Secretary of State distinctly ruled that such appropriation would be an inversion of the original objects of the funds. The original grant was Rx. 1,500,000. But this amount has not always been maintained (*see* Mr. Jacob's figures, page 314, Vol. I. of the Report). Financial pressure has compelled the Government to withhold the grant from some years, so that the average assignment since the year 1881–82 is only Rx. 1,165,261. During the last three years the assignment has been only a million, and the present Finance Minister has said distinctly that this would be the amount of the Grant hereafter, because all the chief protective works recommended by the Famine Commission have been executed. In other words, 50 lakhs of rupees out of the fund originally raised for special purposes of protection, which the Government said "would be religiously set apart" for this purpose, and for this purpose alone, would be absorbed in the general expenditure, that is to say, in meeting the demands of the military department or general administration or in the construction of commercial railways which benefit the merchants and manufacturers of England more than they benefit the ryots. It is the middlemen and European merchants who reap the benefit of any improvement in the facilities of transport.

In my opinion it would be more just to the taxpayers if, besides giving back the 10 millions or so otherwise appropriated, the Rx. 500,000, no longer wanted for protective railways, were utilised for the benefit of the ryots in the construction of wells and tanks, in opening roads in rural areas, in advances for agricultural improvements, or in the stimulation of industrial education; or there should be remission of taxation to this amount.

19,456. (*Sir Andrew Scoble.*) Would you allow me to ask you this; you say the taxpayers have a claim?—Yes.

19,457. Have they not had that claim satisfied by these two systems of railways to protect them against famine?—I understand these are not strictly protective railways.

19,458. You know the territory which the Indian Midland Railway serves, do you not?—I suppose the Central Provinces.

19,459. But the Bengal and Nagpore Railway runs through the Central Provinces?—The Central Provinces, yes.

19,460. The Midland Railway runs through certain portions of Central India, Bundelkund, and part of the North-West Provinces?—Yes.

19,461. Are not those regions which I have just mentioned precisely the regions that formerly suffered most from famine, and which actually in this present year are suffering from famine?—Yes.

19,462. And is it not the fact that, but for the existence of those railways, the food could not have been carried so speedily, so economically, and so effectually to those districts as it has been carried during the past eight or ten months?—Yes, but that could be said about any railway constructed.

19,463. But is not that the fact?—I do not know whether that is included in the number of railways recommended by the Famine Commission.

19,464. But is it not a fact that, but for these railways, supplies could not have been carried into the affected districts in the effective way they have been carried during the recent famine?—Oh no.

19,465. Then do you not consider that the taxpayers have had the benefit of that expenditure as a preventative and alleviation of famine?—I understand that they have not had the benefit of it in this sense, that these railways are not considered strictly famine protective railways.

19,466. Will you kindly answer my question? Have they not had the benefit of the construction of those railways by the alleviation of the famine which has occurred in consequence of the assistance given by those railways to carry food supplies to the affected districts? —That goes too far.

19,467. Would you kindly answer that question?—Of course they have had the benefit of it, in that sense.

19,468. (*Sir James Peile.*) I do not quite understand your 10 millions. You say that the people of India ought to have the credit of that 10 millions you mentioned as part of the famine insurance grant?—The proceeds of the assessed taxes.

19,469. And what were the proceeds?—One-and-a-half millions, calculated to be the proceeds of the assessed taxes.

(*Sir James Peile.*) It was shown in evidence given here a few days ago that they were not 1½ millions. The chairman explained exactly how it was.

19,470. (*Chairman.*) I proposed to ask Mr. Iyer some questions upon that point; but may I ask with regard to the surplus, has not it been applied in various ways —in preventing borrowing, or in other forms of relief? —I think the amount utilised for preventing borrowing is included in the Rx. 17,644,185.

19,471. That is your impression?—Well, I understand about 6½ millions have been utilised for the prevention of borrowing, and about that amount on the construction of protective railways: that is what I gather from the financial statement of 1896-97.

19,472. I do not quite understand from your answer to Sir Andrew Scoble what you mean by the claim that the taxpayer has to relief on account of that 10 millions?—You see railways have been divided into different kinds, some called commercial railways the others I suppose famine protective railways, and the Famine Commission recommended certain railways to be constructed for the purpose of famine protection. My impression is these two railways did not come under that particular class of railway, but were more or less commercial railways, which have to be constructed from other sources than those derived from special taxes.

19,473. (*Sir Andrew Scoble.*) They have a commercial value as well as a protective value, no doubt; but the existence of the commercial value does not exclude the protective value, does it?—But, if commercial railways are to be classified under famine protective railways, I think that argument would go too far. All railways can be claimed as such, and this distinction of famine protective railways will cease to exist.

19,474. (*Sir James Peile.*) I should like to ask you one question about that, do you know what it is that is debited to the famine grant?—The sum spent upon the construction of railways.

19,475. But with regard to these two lines?—I think, according to the statement to which I referred, the amount spent on interest for these railways is put down in a separate column as a distinct item of expenditure; it is not included under the amount spent on famine relief.

19,476. The whole of the interest on the capital of those companies?—Yes, what is classified under railway revenue account. That is the heading. If you look at that statement given at the beginning of the financial statement of 1896-97, you will see that is put in as a separate item. You have got a number of headings, irrigation, direct famine relief, famine protective railways; and then this comes under a separate heading—the amount spent on account of interest on these railways.

19,477. You say they are commercial lines?—I believe so.

19,478. Very well; their profits are taken as commercial lines, and, if there is any deficit in paying the interest, that is debited to the famine insurance grant —that is, on their famine protection side as it were? —Yes.

19,479. But as commercial lines they make profits, and those profits are set off first. If there is any deficit remaining, that is paid from the famine insurance grant?—But these railways do not pay.

19,480. That is exactly the point I am putting?—They are a constant charge upon the revenues.

19,481. Exactly: because they are protective lines as well as commercial. *Quâ* commercial, they realise a certain amount of income which is used towards paying interest; and then any deficit is supplied from the famine insurance grant, the deficit being caused by their being also protective?—Anyhow, I believe I am right in understanding that these railways were not intended by the Government of India as famine protective railways, and the proof of that fact is, that they are stated under a separate heading.

19,482. (*Chairman.*) Their cost is not charged under the 17 millions, which, you say, was laid out on famine relief?—No; and, if they had been regarded as famine protective railways, the amount spent upon them should be included as an amount spent on protective railways classified distinctly.

19,483. Can I put that statement in this form, that, according to figures published by the Government, in these 15 years Rx. 17,500,000, in round figures, have been spent actually on famine relief; in addition to that, apart from famine relief, and not charged under that head, a certain amount of money, which, I think, you said was something like three or four millions, has been spent on railways which are not strictly famine relief railways, but which are, in part, commercial railways?—Yes.

19,484. And I think you are generally in agreement with Sir Andrew Scoble, that, so far as those railways are protective, and not remunerative, they are fairly to be taken into consideration in connexion with famine relief, though the Government have not brought them to charge under the head of famine relief?—Yes; but that would obviate the distinction entirely between protective railways and commercial railways, because I understand all commercial railways are of service in that way.

19,485. (*Sir James Peile.*) Might not a railway be partly the one and partly the other?—Why should that distinction be applied to these two railways and not to all railways?

19,486. (*Sir Andrew Scoble.*) Are you not aware that both those railways were recommended as famine works by the Famine Commission?—I am not aware.

19,487. You are not aware?—No.

19,488. Do you not think you ought to have ascertained that?—Perhaps I might have ascertained that.

19,489. Let me ask you this, the money spent on the construction of these railways has not been debited to the famine fund, has it?—No.

19,490. If it had been debited to the famine fund, then the total expenditure against the famine fund would have very far exceeded the amount of revenue which was to be provided by the original scheme?—Yes, of course.

19,491. As a matter of fact, only this is debited to the famine fund—the difference between the net earnings of these two railways, and the interest to be paid on the funds raised for their construction?—Yes.

19,492. Now let me ask you, as a fair-minded man, do you not think that that is letting the famine fund off very cheaply, not charging it for construction, and only charging it for the difference between the earnings and the interest which has to be paid upon the money raised for construction?—Certainly that would be so, and it would be letting our famine fund off far more cheaply if you would take into account all other railways; but the Government of India has not intended these to be protective railways apparently from the fact that they are entered under a separate heading.

19,493. (*Chairman.*) What you want to bring before us, I think, is that the Government themselves have not charged any part of the expenditure on these railways as coming under famine relief?—That is one point; there is another I want to show. I understood from the correspondence relating to the expenditure on famine railways, that formerly the question of appropriating the receipts of the famine fund for the purposes of paying interest on loans raised was considered by the Secretary of State and by special committees, and they came to the conclusion that any such appropriation of the money raised from these special taxes for the purpose of paying interest upon the loans raised for railway construction would be an inversion of the original object of the famine grant.

19,494. (*Sir James Peile.*) That was not said with reference to these particular railways?—No, generally.

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The Government of India asked the permission of the Secretary of State for applying the famine insurance grant fund for the purpose of paying the interest on loans borrowed, and that was the decision he gave; and this particular application of the famine grant for interest on these particular railways seems to be against the rule and the decision of the Secretary of State and of those Committees.

19,495. May I call your attention to a passage in the financial statement for 1897-8; Sir James Westland there describes the effect of the expenditure under headings 2, 3, and 4. Now, 4 is that sum you have mentioned, interest upon the Indian Midland and Bengal and Nagpore railways, and he says the effect is that for the present and all future famines we are so much better equipped with the means of meeting the distress arising out of scarcity, that we may reasonably hope to pass through the period of distress with far less expenditure than otherwise would have fallen upon us?—Exactly.

19,496. You see Sir James Westland distinctly says those two lines are one of the means?—Exactly; but is there any railway of which that cannot be said?

19,497. All averting results of famine?—Of every railway in the country that can be said, because every railway facilitates the transport of food. For instance, the Madras Railway or the Southern Mahratta Railway, all those help by the transport of food, but they have not been classified under famine protective railways.

19,498. (*Sir Andrew Scoble.*) But is there not this difference that some of the railways that you have mentioned were undertaken distinctly for commercial purposes?—Yes.

19,499. These two railways were undertaken mainly because they passed through districts subject to famine; and they would scarcely have been constructed unless they had been intended to save those districts and protect them against famine?—Exactly; but, if these railways had been constructed out of the funds of the famine grant or the ordinary revenues, as other famine protective railways have been constructed, there would be nothing to be said against the policy of the Government. They borrowed the amount spent and applied the proceeds of the famine grant to the payment of interest; and this is against the decision I have referred to.

19,500. Yes; your objection is that the Government is not charging enough interest on these railways against the famine fund?—I think the Government had their own reasons for not charging them against the famine grant.

19,501. Would you have preferred that they should charge the whole cost of construction?—Oh, certainly not.

19,502. What is your complaint?—That they applied the famine grant to payment of interest.

19,503. (*Chairman.*) That they applied the famine grant to payment of interest upon the whole of these railroads?—Upon these two railroads.

19,504. They only charge the deficit?—They are now charging the deficit.

19,505. They would only charge the deficit on these two lines, would they, against the famine fund? They would not charge the whole interest?—That is the amount. That amount is charged on account of interest.

19,506. That would be the deficit, would it not?—Yes, I would suppose so.

19,507. Well, if that is the case, is it not reasonable, as, I think, Sir James Peile put it, that the proceeds of the railway should be divided into two parts; there was one part of the cost of the working of the railway which showed a commercial return, and one part which brought no return whatever; and the part which brought no return whatever might fairly be considered as spent for the relief of famine. Would you object from your point of view to charge against famine relief that part which is simply the deficit?—I would object to that, because it would be too much temptation to Government; they would be tempted to apply the famine grant fund to the construction of other railways, and pay interest out of the fund. It has been laid down as a policy not to incur expenditure for interest out of those funds.

19,508. The only charge you make is that you believe that in this famine relief expenditure there is a certain sum for interest upon these two railways, which you think ought not to have been so charged?—Yes.

19,509. Now with regard to the surplus, you say you think a portion of the surplus appears in the famine relief expenditure?—No, my Lord.

19,510. I thought I gathered that. I asked you a question when you spoke of the surpluses?—This 17 millions includes direct expenditure on famine relief, and it also includes expenditure on irrigation; it includes expenditure on protective railways, and I think it includes also expenditure for the avoidance of debt.

19,511. I think I asked you whether those surpluses amounting to 7,100,000*l.* had not been applied practically in the prevention of debt, and, therefore, might not, to a certain extent, be considered as spent in the direction of the objects for which the famine relief system was established, and you said that you thought that a portion of those surpluses appeared, if I understood you rightly, in the Rx. 17,644,000?—No; if I said that, my Lord, I was wrong, because, if you would allow me to draw your attention to the statement in the Financial Statement of 1896-97, you will see this surplus put down under a separate heading altogether—this seven millions odd.

19,512. Well, so far as that surplus was applied to prevent the accumulation of debt, would you not allow that it was being spent upon one of the objects for which famine relief moneys were appropriated?—I beg your Lordship's pardon; these seven millions have not been applied for the prevention of debt.

19,513. You have ascertained that?—I believe so.

19,514. If you have ascertained it, I have no figures to put against it?—If your Lordship will send for the Financial Statement of the Government of India of 1896-97, I shall at once put my finger upon it.

19,515. I think you told us that the original licence tax, imposed specially for the purpose of famine insurance, yielded 1½ millions, did you not?—Yes.

19,516. This question has really been brought before the Commission before, but I think it necessary to go through one or two points connected with it again, in order to clear up the question; and I would refer you to Sir John Strachey's Financial Statement of 1880-81, in which at the outset he was explaining the working of these famine relief arrangements?—Yes.

19,517. He said: "taking together the measures "adopted in the two years 1877 and 1878, the first "new taxation put on for the purpose was the public "works cess imposed on the land in Bengal; this "yielded in 1878-79, 355,590*l.* In 1878 new cesses "were also imposed on the land in the North-West "Provinces, Oudh, the Punjab, and the Central Pro-"vinces, yielding about 170,000*l.* The total amount "of new taxation on the land was, therefore, about "525,000*l.*" After that the licence tax on traders was imposed; that was in 1878, and it was supposed to produce Rx. 820,000; making a total of taxation levied for the purpose of famine relief of Rx. 1,345,000. But shortly after that there was an exemption from the Licence Acts extended to persons whose earnings didn ot exceed 500 rupees a year; and that was reckoned to diminish, as I understand it, the produce of the licence tax by about Rx. 34,000, leaving, as near as possible, and quite sufficient for our purpose, a clear million—it is really a little below—on those figures, but we may call it a million, as the produce of the taxes imposed?—Yes, I follow your Lordship.

19,518. That was Sir John Strachey's statement at the time?—In what year was it, my Lord, 1878?

19,519. No; his financial statement in 1881?—Yes.

19,520. Do you controvert that statement? Or, having heard it, do you still adhere to your statement that 1½ millions was the taxation yielded?—I do not certainly controvert what Sir John Strachey has said.

19,521. Then, if that is the case, we may take it that the extra taxation raised was one million. Now, I ask you if that is the case as far as the taxation is concerned, have not the figures that you have given us, without entering upon these subsidiary questions of surpluses, and the expenditure on the two railways which have been under discussion—I think you gave us Rx. 17,644,000 as the expenditure from the Famine Insurance Grant in the 15 years?—Yes.

19,522. That would be more than a million a year, would it not?—I believe so.

19,523. Then, so far, would you agree that the extra taxation levied, according to Sir John Strachey's estimate in 1881, has practically been applied in famine relief during those 15 years?—I do not know. I think a slight modification applies to that fact. I believe it is notorious that 1½ millions was the amount set apart for this purpose. It used to be said, year after year, and time after time. But I think that one million was the calculation for that year. I am not sure whether that amount has not increased since that year.

19,524. Well, of course, so far as the elasticity of taxation goes, that would be a legitimate ground to take?—I think the Government reckoned upon that increase, and expected that these assessed taxes would yield nearly that amount, and might be applied for this purpose.

19,525. I will now recall to your mind a statement made in the House of Commons this year by Sir Henry Fowler, who quoted a paper which had been given him for the purpose by Sir John Strachey. He said, "The policy of insurance against famine was "simple in its nature, but it has been constantly "misunderstood. It has often been supposed that a "separate fund was constituted, into which certain "revenues were to be paid, and which could only be "drawn on for a specified purpose. No such impracti-"cable notion was ever entertained, and every idea of "the kind was from the first repudiated by the Govern-"ment and myself, who was responsible for the original "scheme. The famine insurance fund, of which people "often talk, never existed. The intention was nothing "more than the annual application of Rx. 1,500,000 to "the purposes I have described. Financial pressure "has sometimes made it impossible to make the full "annual grant under the famine insurance scheme, but "substantially the system has been successfully main-"tained." Now, if the full amount which has been alluded to, and which, you see, is alluded to by Sir John Strachey in that statement, had been applied over the 15 years, it would have amounted to about 22 millions, would it not?—For 15 years, yes.

19,526. It has actually amounted to about 17½ millions?—Yes.

19,527. Well, if, subject to the reservation which you have suggested, namely, that there may have been an increase in the yield of the tax, we take Sir John Strachey's statement of a million a year as the produce of the tax, do we not come to this, that not only has the extra taxation been applied to famine relief, but a further sum, which must have come out of the ordinary revenue of India, not out of the increased taxation, amounting to something like 2½ millions?—It would be so, my Lord, if each year the amount yielded was only a million.

19,528. Quite so?—But, I think, if I remember correctly, the Financial Statement of 1896-97 gives the yield, the proceeds of the assessed taxes from year to year; and it is upon the total aggregate of those proceeds that these figures are made out, which I quoted from Sir James Westland's Financial Statement; and, therefore, I do not believe that it would be quite correct to assume that these assessed taxes yielded only one million year after year.

19,529. Well, you think that the elasticity of the revenue has been such as to add 50 per cent. in those 15 years to those two taxes?—It is a question of fact; it can be verified from the statement I refer to.

19,530. (*Sir Andrew Scoble.*) Do you know how long the licence tax was continued?—For about 17 years, I think.

19,531. Not the licence tax?—I do not know.

19,532. It was dropped after a year or two, was it not?—I suppose income tax superseded it; it was converted into income tax.

19,533. It was converted into income tax?—Yes.

19,534. About 1885 or 1886, was it not?—Yes, about that time.

19,535. (*Chairman.*) Then, Mr. Iyer, if the licence tax was turned into an income tax, and under the income tax a larger amount of taxation was imposed than under the licence tax, we cannot credit that addition to the famine relief fund, because it was not imposed for that purpose?—Exactly; 1½ millions was laid down only as the standard amount, because the Government had always the policy of reckoning upon the natural increase of the assessed taxes. Therefore, I think, Government, instead of saying that exactly the strict amount of the proceeds of these taxes would be applied for famine protection purposes, repeatedly laid down, in a general way, 1½ millions as the standard expenditure.

19,536. (*Sir James Peile.*) But do you recollect that Rx. 400,000 of the 1½ millions was obtained by reducing the grants to the Provincial Governments?—I do not follow you.

19,537. Rx. 400,000 out of the 1½ millions devoted to Famine Insurance at the beginning was obtained by withdrawing grants from Provincial Governments—by an economy?—I do not know whether the withdrawal was for that purpose; but I remember that in a number of years Provincial Governments were indented upon for help by the Government of India; and the grants to Provincial Governments were reduced, but I cannot say that in that particular year the reduction was for this particular purpose.

19,538. But you do not know that it was not?—I do not know. I cannot say for certain.

19,539. You have said that these taxes were imposed in order to establish a famine fund?—Yes.

19,540. They were?—Yes.

19,541. Have you looked at the legislation which imposed those taxes?—No, I have not seen the law.

19,542. Would you be surprised to hear that they were each and all of them imposed for the purpose of effecting a permanent increase of the revenue, without any statement as to the purpose for which they were imposed?—That makes no difference.

19,543. That makes no difference?—Certainly not.

19,544. Does that devote them to the special purpose of establishing a famine fund?—No; so far as the words of the law go, perhaps they did not.

19,545. So far as the words of the law go?—But it is notorious that, when the Bill was introduced into the Legislative Council, and in subsequent speeches and official publications, it was repeatedly said that the proceeds of this special tax should be set apart for this purpose; there can be no doubt about that.

19,546. My question was whether the special legislation by which these taxes were imposed specifically devoted them to the establishment of a famine fund, and you said "yes"?—But it makes no difference at all.

19,547. (*Mr. Buchanan.*) Your contention is that the Indian Government repeatedly declared that they intended to devote Rx. 1,500,000 for the purpose of the famine fund?—They did most assuredly; they left no shadow of a doubt in the public mind.

19,548. (*Sir James Peile.*) But did not Sir John Strachey say that any engagement made by him at that date was not to be binding on the Government of the future?—He said so subsequently.

19,549-50. Also that he never assumed or supposed that the Government of India would be bound to keep up the whole amount of the 1½ millions, if they found a smaller sum sufficient?—He said so, no doubt, but his earlier pronouncements were to the contrary effect; but the point is not affected at all by what he said afterwards, because there is no doubt that the Government of India pledged themselves morally, at all events, so far as their declarations to the public went, that they would most scrupulously and strictly spend 1½ millions for this purpose; and I remember the sensation that was created over the country when Lord Lytton rebuked the British Indian Association of Calcutta for casting a doubt on the Government always fulfilling their pledges.

19,551. Let me put a case to you for illustration; supposing that in time of prosperity the Government of India were in a position to spend 90 millions a year, and laid plans for doing so; and supposing at a later date, through some calamity, the revenue had been so decreased that it was not safe for the Government of India to spend more than 70 millions; would it be

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bound in honour by its duty to the people to continue to spend 90 millions, although it could only afford to spend 70?—I am sorry I cannot admit that to be a parallel case at all. In this case this fund was created by special taxation for a special purpose, a purpose which involved the life and death of millions of people, and it anticipated a contingency of which the Government of India and everybody else were absolutely certain; and, therefore, when they created this fund for this special purpose, and gave all these pledges that they did give, they were bound to expend that amount from year to year. I cannot admit for a moment that that stands on a parallel with the case you mentioned just now.

19,552. (*Chairman*) Now consider how far you are in agreement with the Government, and how far you are not. As I understand it, there is agreement upon this point, that during the 15 years to which your statement alludes, 17½ millions have been spent on famine relief?—Yes; famine relief and insurance, yes.

19,553. In addition to that, I have brought before you the reasons which make me think that the extra taxation imposed did not exceed a million; that you would qualify by expressing your belief that the two taxes in question have been elastic, that their produce has, in consequence, been greater than a million, and, so far as these taxes have been elastic, you consider that the excess ought to be added to the million?—Yes, I base all these figures upon the statement which I take from Sir James Westland's financial statement; and these are his figures, and his figures are calculated upon the gross proceeds of the assessed taxes.

19,554. I think it is perfectly legitimate for you to argue that, if these taxes produced more, that increase should be contributed to this arrangement?—Exactly so.

19,555. I did not, however, understand you to go so far as to say that that Rx. 1,500,000 has entirely been raised by increased taxation?—It is a question of fact, my Lord. I will not say anything one way or the other, until we see that statement itself.

19,556. But at all events you maintain, contrary to the Government, that it is binding on the Government to spend that Rx. 1,500,000, whether it considers it necessary or not? You maintain that it is a binding agreement for ever?—So far as the cause continues, this agreement would continue; that is obvious.

19,557. But you do not say whether you agree, or do not agree with the present view of the Government that a million is enough; and you still maintain, although I brought before you a statement of the Government at the time that that Rx. 1,500,000 was never intended to be a binding arrangement of the kind that you have described, that Rx. 1,500,000 is due. Therefore, that is the real point upon which you are at issue. With regard to what you said just now, I think, when Sir James Peile asked you about the statement of Sir John Strachey that he could not bind the Government for ever, namely, that he said that some time after, my recollection is that he said it at the time, at the very inception of the arrangement?—Yes.

19,558. (*Mr. Buchanan.*) But may I ask you one question. Do you really hold to that last point? Do you consider that, supposing the Government of India thought that Rx. 1,500,000 could not be usefully spent for famine protective purposes, they would still be bound to spend it?—No, not at all; they should either remit the taxes to that extent, or, if that is not possible, apply the balance to such purposes as would benefit the classes of people for whose benefit the original fund was raised. I certainly object to the amount being appropriated for military expenditure, or for compensation allowance, or for railways of a commercial nature.

19,559. (*Chairman.*) Then, perhaps, you will now pass on to your next head, which I think is Famine, is it not?—Yes. Two great famines have occurred within the last 20 years, besides other famines confined to smaller areas. They involve the Government in immense expenditure while they last. Not only have large amounts to be spent directly on famine relief, but indirectly the loss of revenue is immense. The following figures, taken from the last financial statement, show the expenditure and loss of revenue attributed to the effects of famine and scarcity during the years 1896-97:—

	Rx.
Direct cost of famine relief -	1,876,200*
Rise in prices in Army expenditure - - -	196,000
Loss of revenue:—	
Land revenue - - -	2,394,100
Salt revenue - - -	261,800
Other revenues in North-West Provinces and Bombay (excluding stamp revenue) -	373,600
Loss of railway revenue (net) -	1,234,200
Total - -	6,066,400
Gain under irrigation revenue -	269,500
Net result - Rx.	5,066,400

This represents the financial results of the famine to the State. But the direct consequences to the people are frightful. The amount of physical and moral deterioration which these famines bring upon the people is simply incalculable. The recurrence of famines from time to time points with irresistible force to the necessity of reducing the burden of taxation on the people, more especially the land revenue, by the adoption of a more reasonable and less oppressive system of raising it. The drain of the country's money and military expenditure should be reduced.

19,560. You say the amount of physical and moral deterioration which these famines bring upon the people is simply incalculable; yet, to a certain extent, you appear to me to deprecate the extension of railways, which are of the first consequence in alleviating and preventing famine?—I beg your Lordship's pardon. I do not deprecate them at all. I only plead for a more moderate speed in the construction of railways. I hold that the construction of railways is only one means of alleviating the effects of famine and improving the condition of the people. There are other means equally efficacious in bringing about that result. Therefore, I say that the available revenues of Government should not be exclusively utilised for this one special purpose, but more equitably distributed among different improvements, especially in view of the fact that these railways have to be constructed by money raised in England, and that money has to be sent away to a foreign country; therefore, if money were more proportionately spent on different purposes, you could gain the same result, better.

19,561. I gathered from your answer to a previous question that you would check the extension of railways, and divert the borrowing to other matters, such as irrigation, we will say, leaving the railways to be supplied out of surplus revenue? But, as your surplus is hardly existent now, and as in another part of your evidence you have come to the conclusion that there is no surplus, does not that really mean that you would now stop all railways? That is what I alluded to when I said that you appeared to me to deprecate the extension of railways, although they must be of such importance, according to my view, in preventing those terrible evils which you have so forcibly pointed out?—Yes, but I would not stop all railways. I would certainly allow their construction to go on within certain reasonable, moderate limits, especially so far as any amount may be made available from the revenues of the country; certainly, I should be the last person to object to that.

19,562. I think your evidence shows that in your view there is no such available revenue; there is no surplus?—As a fact, there is some amount being spent on railways from revenue from year to year.

19,563. You pointed out at the same time, I think, that you thought that such available sums might be better spent in other directions, did you not? You dwelt upon irrigation, I think, for instance, as preferable to railways?—No; I do not think so.

19,564. I beg your pardon, I thought I remembered that you pointed out that there were other objects of public expenditure, which you thought came before railways?—I think it is better to clear up that point, my Lord. I do not object to railways at all. My chief objection is to the fact that most of the funds available for that purpose have to be borrowed in a

* Beside Rx. 14,500 for English expenditure and exchange thereon.

foreign country. If all the money necessary to be spent upon railways could be raised in India, or could be got from the revenues, I should be certainly glad to allow the construction of railways to proceed.

19,565. (*Sir Ralph Knox.*) But you would leave the construction of railways to the available surplus of revenue year by year; that is practically what it comes to?—Not to surplus of revenue, but to such amounts as might be made available from the revenues.

19,566. But you would limit it to the surplus of revenue available, or to money available out of the revenues of the year?—Yes; and to such amounts as can be borrowed in India.

19,567. (*Chairman.*) Even though you might pay 7 per cent. or 8 per cent. in India, against 3½ per cent. here?—I do not believe you would have to pay that high interest in India; but I certainly admit that, even though there may be a difference in the rates of interest, the Indian rate of interest being higher than that in England, I would prefer that higher rate of interest, if it meant borrowing in India.

19,568. (*Mr. Buchanan.*) Even though it might bring all railway construction to a standstill, you would still hold to that?—I cannot admit that it would bring railway construction to a standstill; certainly there would be less mileage constructed, but we would be satisfied with that.

19,569. Is there any district in India at the present moment in which too many railways have been constructed?—Oh, no.

19,570. You cannot point to any railways in regard to which you consider that it would have been better for India if they had not been constructed?—I do not believe there have been too many railways, no.

19,571. But what you are advocating really practically puts a stop to the further construction of railways?—I should demur to that statement. I do not believe it would put a practical stop to the construction of railways. There will be still progressive construction, but it will be much less rapid than it is now, than it has been for some time.

19,572. (*Chairman.*) Now, taking the action of Government over a long period of years, do you consider that an advance has been made by Government in preventing and averting famine?—Certainly.

19,573. And would you allow that there has been a great step in advance since the Government of India came under the Queen?—Does your Lordship ask me whether there has been an improvement so far as steps to prevent famine are concerned? Certainly there has been.

19,574. One of the results obtained since the assumption of the Government by the Queen has been that effective measures—we are not now arguing whether they are the most effective measures—have been taken which have diminished those terrible effects of famine?—I should think so, certainly.

19,575. So far you would allow credit to the Government of the Queen?—Most certainly, gladly.

19,576. Do you know that the famine of 1770, which, I believe, was one of the great famines quoted, is said to have destroyed about 10 millions of people?—I have read that, my Lord.

(*Sir Ralph Knox.*) Out of how many?

(*Sir James Peile.*) It destroyed about one-third of the population.

19,577. (*Chairman.*). Then the famine of 1867. That is said, I read, to have swept away one-fourth of the population in the districts affected?—Very likely.

19,578. That was before the extension of the railway system?—Yes.

19,579. There were no means at that time of carrying food aid to the people when one of these fearful calamities occurred?—No.

19,580. Then, again, is it not said that the famine of 1876–78, which affected 36 millions of inhabitants, destroyed between five and six millions of people?—Yes, it did; but I do not see the point.

19,581. Would you admit that the means that are now, in the case of the present famine, being taken will prove more effective in averting this fearful loss of life than those which were taken at that time and in the previous cases that I have referred to?—What means does your Lordship refer to?

19,582. Do you think that the lessons which have been learned by the Government as to the best means of averting famine, have been so far effectual in the interval that we may hope that in this, and in future famines, the loss of life will not be so great?—I do not know about the future. I think it would be rather bold to predict anything about the future; but about the present and past famines, your Lordship will excuse my saying that, while probably no reliable accounts have been yet made out of famines in the past, it is a fact that in former years there was more intense suffering from famine, which was, in former years, confined to smaller areas, but now, perhaps, the suffering is not so intense; certainly it looks as if famine would affect larger areas whenever it occurs, although the suffering might not be equally deep.

19,583. Do you call an area that affects 36 millions of inhabitants a small one?—Comparatively. It committed greater havoc; no doubt the suffering was greater because food could not be transported.

19,584. But you say that at present larger areas are affected, and in former famines small areas were affected. I ask you whether you think an area containing 36 millions of inhabitants is a small area?—Compared with the area now affected, I believe it is.

19,585. Do you think the areas now affected contain more than 36 million people?—Oh, certainly.

19,586. That you have ascertained?—I think so.

19,587. (*Mr. Naoroji.*) In 1770 the famine was in Behar and Lower Bengal, was it not, and it was while the district was in the hands of the British Administrators for several years?—It had just come into their hands, I think.

19,588. (*Sir James Peile.*) Had the British the executive administration at that time?—Practically, I think they had.

19,589. Will you kindly look it up and see, or will you take it from me that they had not?—I will certainly take it from you.

19,590. (*Mr. Naoroji.*) Is it then not on record that in 1765 the people were very badly oppressed by the Executive of the day?—Yes.

19,591. That the Executive were most corrupt, most oppressive, at the time during and before this famine came on?—Certainly, it is a notorious fact; every schoolboy knows how Bengal suffered from the fact that the administration was corrupt.

19,592. I think the Court of Directors have used words to the effect that it was the most tyrannical and oppressive conduct that ever was known in any age or country?—I believe so.

19,593. The oppression, rapacity, and corruption of the time?—I believe so.

19,594. (*Sir James Peile.*) As to the area of a famine, I suppose the failure of the rainfall has something to do with that?—I think a famine has always been caused more or less by that fact; that is the great cause.

19,595. Then the area would be regulated by the extent of the failure of rain, would it not?—I do not quite follow you.

19,596. The area of the famine would be regulated by the extent of the failure of the rain?—I do not know, but it looks as if the failure of rain affects larger areas now than it did formerly.

19,597. Is that the fault of the Government?—I do not say whose fault it is, but there is the fact; let us first recognise that.

19,598. (*Mr. Naoroji.*) Is there not an impression—I am not at present prepared to verify it—that famines since the introduction of railways have destroyed more people in 20 years than the famines of 20 years before the railways? I am under that impression, that 20 or 30 years after the commencement of the railways there have been more famines, or more lives lost, than the 20 or 30 years before the construction of railways. Have you come across any such expression?—Well, I cannot point to any reliable source from which I can derive information of that fact: but the impression certainly is that the famines cause more loss of life now than they did formerly.

19,599. Mr. William Digby has given some figures and an estimate of the lives lost before the railway construction, and lost after the existence of railways?—Yes, I remember having read his book.

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19,600. (*Sir Ralph Knox.*) There are many more lives to lose now, are there not; the population has enormously increased?—I do not think so; but lives do not come into existence to be lost in famine.

19,601. (*Chairman.*) I do not know whether you have mentioned it, but one of the Indian gentlemen who appeared before us dwelt, I think, upon the point that the population did not increase so fast in India as in England?—I said something to that effect.

19,602. Looking back, I make out that the Indian population increases faster; that within recent decades it has increased at the rate of 10 per cent., while the English increased during that period only 8 with a decimal?—10 per cent. a year?

19,603. No, no, in the decade?—Yes.

(*Mr. Naoroji.*) I think I said something to the effect that during those 10 years the English population increased at a higher percentage than the Indian population.

(*Chairman.*) My researches lead me to an opposite result.

(*Mr. Naoroji.*) My researches also are from statistics—not my own creation—so we can compare the figures.

19,604. (*Chairman.*) Yes. Before we pass away from this, I want to go back for a moment to the increase of the produce from the assessed taxes. I find in the Finance and Revenue Accounts that the assessed taxes for the years 1877–78 and 1884–85—— ?—Does your Lordship refer to the financial statement of 1896–97?

19,605. I am referring to the Finance and Revenue Accounts of India from 1st April 1877 to 31st March 1885?—Yes.

19,606. I want to see the yield of the licence tax?—I could more easily verify my facts by a reference to the financial statement of 1896–97.

19,607. Well, I will just give you from this account the yield of the assessed taxes, which include this licence tax. In 1877–78, before the licence duty was put on, the receipts were Rx. 101,000. In 1878–79, the duty having been put on, the receipt was Rx. 900,000; in 1879–80 it was Rx. 785,000; in 1880–81 it was Rx. 558,000; in 1881–82 it was Rx. 536,000; in 1882–83 it was Rx. 517,000; and in 1883–84 it was Rx. 526,000, being a larger diminution than that which Sir John Strachey foreshadowed when he was speaking of the remissions he had made. In 1884–85 it was Rx. 511,000. I think it was mentioned that about 1884–85 this tax was turned into an income tax?—I think it was in 1886.

19,608. That brings up a fresh question; but during that period it does not look as if that revenue was a very elastic one; those figures do not lead up, I mean, to the idea that more than a million a year was being realised?—No.

19,609. (*Sir William Wedderburn.*) Might I ask, before we pass from this subject, whether you think that the extension of railways is being pushed more rapidly than the country can afford?—Yes, I do.

19,610–1. It has been suggested that the Government of India consider that one million is now enough to spend, instead of 1½ millions, for famine preventive works?—Yes.

19,612. Does not that rather point to the conclusion that this great pushing forward of railways has nothing specially to do with the saving of the lives of the people from famine?—Of course it does.

19,613–4. And another question, you mention that it is the general belief that the famine extends over larger areas than formerly?—Yes.

19,615. I think the popular idea is not so much that there is greater failure of rain, as that there is less power in the people to resist the effects of that failure?—That is exactly the reason; they have less staying power.

19,616. It is the diminished power of resistance on the part of the people that makes the failure of rain cause starvation over larger areas than in former times?—Certainly, there have been failures of rain in former times as there are now, and I think people are less capable of resisting the effects of the failure of rain now than they were in former years.

19,617. And that accounts for the famine extending over large areas?—Yes, I think so.

19,618. (*Sir Ralph Knox.*) Is it the case then that they now subsist on a lower physical minimum of subsistence—They do now.

19,619. (*Chairman.*) Now do you think the figures I have given you point to that? When we are told that the famine of 1770 destroyed 10 millions of people, is that proof to you of greater stamina in the people at that time?—Yes; but I wanted to impress on your Lordship this fact. From information which is available regarding famines of past years—I do not admit that the information is altogether reliable—I am prepared to admit that in former years, perhaps, there was more suffering on account of want of facilities to transport food from one part of the country to another, but the distress was confined to a smaller area; now it extends to a larger area, and I am not sure that modern famines do not cause the loss of a larger number of lives than a famine did in former years.

19,620. That does not quite answer my question, which arose out of Sir William Wedderburn's question, but I will meet you on both points. Do you think that the sweeping away of 10 millions in 1770 looks like a small area being affected?—It does not look at all like that, no.

19,621. And do you think that the sweeping away of 10 millions of people—just consider what that means—is a proof that the people of that time had greater stamina than they have now?—So far as that particular confined area is concerned, perhaps, they had not at that particular time.

19,622. Now I pass on further. It is said that the famine of 1866 swept away two-thirds of the population; do you think that this two-thirds of the population unhappily swept away had better stamina than the people have now? Or would you think that the sweeping away of this two-thirds of the population at that time is a proof that they had better stamina then than now?—What I want to urge is that at that particular time, in that particular tract, perhaps there were special causes that brought about the death of those people; but it does not follow that the population as a whole, or that the population in other parts of the country, had less stamina.

19,623. But when the trial comes upon them, and you find two-thirds of the population swept away, do you consider that two-thirds of the population being swept away is a proof that the people were of good stamina compared with those of the present day?—If they had had the railways, if food could have been transported, perhaps they might have resisted the famine better.

19,624. I am only confining myself to that statement, which is a very difficult one to substantiate, namely, that the people in former days had better stamina. Now, in the presence of the fact that when a trial came, you find this fearful devastation, it seems to me impossible to maintain that the people of that day had better stamina than they have now?—But I think it could be shown that the trial in modern days produces more loss of life; I do not think your point can be maintained, unless it can be shown that modern famines do not produce the same loss of life over a larger area.

(*Chairman.*) Well, when you come to the next famine which affected an area containing 36 million people, namely, the famine of 1877–78, even the very wide calculation which included the stoppage of reproduction as part of the loss, only puts the loss of life at six millions. That looks to me as if the stamina is rather improving than diminishing.

19,625. (*Sir William Wedderburn.*) With regard to the power of resistance, the comparison was not so much with the middle of last century as with the earlier portions of the period of British rule in this century, I think?—I cannot clear up the matter, but the popular feeling is that the people are now less able to resist than they were before.

19,625A. The comparison is made with the earlier portion of this century, I think, rather than with the last century?—I do not quite follow you.

(*Mr. Naoroji.*) Is it not the case that Government now, by imposing this famine relief fund, actually has better means of saving lives, and that it is not owing to better means of the people; it does not prove at all that the people have better stamina or better power of resistance; it simply is that the Government is actually now exacting money from the people in order to save them at the time of the famine, taking from the starving to try to save the dying; but it does not prove that there is greater stamina or means?

19,626. (*Chairman.*) And, therefore, the conclusion that Mr. Naoroji would come to is this, that when the people had not the means of getting food they had better stamina than they have now when they have means of getting food?—When a great calamity is confined to a small area, it can be very well conceived that a proportionately larger number of people die.

19,627. Is not that rather an assumption on your part? I have asked you once or twice about the famine of 1877, which affected 36 millions of people; is that a small area? The famine of Orissa, too, I have always heard spoken of as affecting a large area?—It was a very little area compared with the area now affected.

19,628. Do you know at all what the area now affected is?—I think three provinces are affected now, more or less.

19,629. Oh, more or less; but with regard to the real famine?—There is a good deal of scarcity.

19,630. You have considered the point?—I am not prepared to say what exactly is the area now affected, but I think it is larger than in former famines.

19,631. (*Sir Ralph Knox.*) May not the extension of the area be, to some extent, due to the increase in population in those districts? There are more people living in the districts than there were on the former occasions when there was a scarcity of rain?—I mean that larger tracts of country are affected, apart from the population.

19,632. The population may have increased in certain districts, in which the want of rain would not have affected them when the population was smaller, but it does affect them now that the population is larger?—Yes, I suppose it follows; but at the same time the obligation must be borne in mind, that, as population increases, means of subsistence should also increase.

19,633. Quite so, but that increase of population would account for the extension of the area affected by scarcity, would it not?—I beg your pardon.

19,634. What I have stated would tend to increase the area of famine?—Oh, certainly.

(*Mr. Naoroji.*) About population, my lord, my figures, which I have given before, show in England and Wales between 1881 and 1891 an increase of 11·6 per cent. and a population per square mile of 500; in British India an increase of 9·7 per cent. and a population per square mile of 230. Those are the figures that I have given in one of my statements of the 9th January 1896, p. 54.

(*Chairman.*) I cannot say, at present, from memory, the year to which I referred.

19,635. (*Sir Ralph Knox.*) As regards that question of capital being raised in India, do you think it is the case that in other countries the capital which is raised for the construction of railways and such works is always raised in the country?—Yes.

19,636. You think it is a disadvantage that the capital should be raised out of the country, as compared with the absence of the construction of the works at all?—Certainly, and that fact should be taken along with other facts that affect the economical condition of the country. India is in this peculiar condition, which no other country is in, namely, that owing to the employment of foreign agency and foreign enterprise flourishing in the country, a large amount of money is being taken out of the country. Therefore, every means by which this drain could be reduced is a distinct advantage in any case.

19,637. That is the case in regard to all other countries, is it not?—I do not believe that any other country is in the same position as India.

19,638. Not to the same extent?—Not to the same extent.

19,639. It is only a question of degree?—Certainly.

19,640. (*Chairman.*) I doubt whether it is a question of degree. Take Australia, your argument would mean that Australia has been ruined by its railways. Everybody knows that practically the whole of the capital they have spent there on railways has been raised here, causing this foreign drain which you deprecate so much, and I should think that nobody, looking at Australia could doubt that the benefit of the railways has been great to the country?—No doubt, but Australia does not employ such a large civil and military agency, belonging to a foreign country, and paid out of local revenues.

19,641. The drain is to this country; they borrowed money over here, and they have to send the interest and principal back again here, and that is what you deprecate in India?—They can do so, because they have not to lose money in other ways which India has unfortunately.

19,642. (*Sir William Wedderburn.*) They are self-governing?—They are self-governing.

(*Chairman.*) Oh, quite so.

19,643. (*Mr. Naoroji.*) There are no other countries where you have the first initial drain of the foreign agency, which has nothing to do with the commercial drain?—Certainly.

19,644. First comes the political drain; India is a country which is subject to a heavy political drain, and that is the cause of all the further mischief which it is subjected to?—That is the great fact which it is my utmost endeavour to urge upon this Commission, and which I feel it is rather difficult for them to realise.

(*Mr. Naoroji.*) That is the great fact. India being subject to this political drain alters the economical situation in so many ways.

19,645. (*Chairman.*) Now, I think, you wish to offer some remarks upon the Education Department of Madras?—I shall now request the permission of the Commission to go into the figures of a few departments of Madras to illustrate my point. The Educational Department has suffered most by the extravagance of other departments. It is the budget of this Department that is cut short first, whenever money is needed for any extraordinary item of expenditure, so that we may say that this Department is starved.

19,646. What proof do you offer in support of your statement that the Education Budget is the first that is cut short?—That is not perhaps exactly accurate; I will certainly say that it is cut short among the first—perhaps it is not the first—but it is one of the Departments to which resort is had almost at the beginning whenever any difficulty arises.

19,647. Does it mean more than what, I think, you have expressed to us before, namely, that the great demands of the Central Government prevent the outlay of money which, you think, might be usefully expended on what we may call the administrative services, or the domestic services?—Yes. The peculiar feature of public instruction in Madras Presidency is, that Government maintains very few institutions of its own. There are only three first-grade arts colleges, one second-grade college, four professional colleges, one high school, and a few training schools, maintained by Government; and the total expenditure on Government institutions was Rs. 9,12,539, which is far less than the amount spent in some other provinces by Government on its own institutions. But even this expenditure can be diminished (1) if the fees in Government colleges, &c., are not so high; (2) if a larger proportion of qualified natives are employed in the staff.

19,648. What do you mean by saying that the fees in Government colleges should not be so high? Would not that increase the net expenditure?—They diminish the income, because high fees drive the students away to other colleges where the rates of fees are lower.

19,649. But I do not quite understand your saying that there is not sufficient outlay, when one of your remedies is to reduce the income; that is not providing means to enable expenditure to be increased, is it?—Oh no, I merely want to bring out the point that by raising the fees the income is reduced.

19,650. How does raising the fees reduce the income?—Keeping the standard of expenditure at the same point, if the fees were not raised, there would be more income; and in that way the expenditure might be diminished with the same efficiency of work.

19,651. But I want to clearly understand the case. Raising the fees may be bad policy, but, if you raise the fees, you get a larger income, do you not?—I am sorry that I have not very clearly expressed my meaning, my Lord.

19,652. I only want you to explain, in order that we may understand your meaning?—What I want to say is that, supposing the Government wanted to produce a certain standard of efficiency and for that purpose spent a certain amount, if they got more income in the way of fees, their direct expenditure might be reduced, because the fees go towards making up the balance.

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19,653-4. (*Mr. Mowbray.*) But, then, do you mean that you are in favour of raising the fees?—No, I am not in favour of raising the fees; I am against it. But the income might be increased, and there might be more money spent on education.

19,655. I do not understand how the income is to be increased unless the fees are raised?—In India there are private colleges, side by side with the Government colleges, and, whenever rates and fees are increased, students go to other institutions.

19,656. (*Sir Ralph Knox.*) You mean that by reducing the fees you would have a larger number of pupils, and that that larger number at a lower rate would produce a larger revenue than a smaller number at a higher rate?—Yes.

19,657. (*Mr. Mowbray.*) You would attract students who now go to other colleges to the Government colleges?—Yes; for many reasons the Government colleges are always more efficient than private colleges; they are also more popular, being non-sectarian institutions. The new Educational Service, divided into two branches, the Imperial or European Educational Service and the Provincial Service, is the outcome of the Public Service Commission, and is supposed to introduce greater economy by giving a larger share in the higher grades of the service to natives. The appointments hitherto monopolised, more or less, by Europeans have been nine professorships, four inspectorships, and three principalships, and one vice-principalship. According to the new scheme, only three professorships and two inspectorships are thrown open to natives. This is anything but adequate. There are an increasing number of qualified natives who have secured the highest University honours in Great Britain. (One of the recommendations of the Educational Commission is to the effect that natives who have received an English training should be given appointments in the Educational Service.) These men are perfectly qualified to fill professorships and inspectorships. It is noteworthy that the only science professors in India who have achieved European fame by their original researches in science are natives of India, Dr. Bose and Dr. Roy, and yet, strange to say, in the new scheme, no professorship of science is to be held by a native of India, and the only professorships that they are considered competent to fill are the professorships of Mathematics, Sanskrit, and History or Philosophy. Even these are not given always to Indians. The professorship of Sanskrit in the Presidency College of Madras was about to be given away to a German, but the Secretary of State vetoed the proposal and appointed a Hindu. Lord Kimberley earned the gratitude of the people of Southern India by his just and wise action in this matter. The money spent on building the Law College is sheer waste when we take into consideration the other educational needs. The aided schools and colleges are being starved. A paltry sum of 1,50,000 rupees is spent on results grants. The total grants from provincial funds amounted to Rs. 6,19,780 in 1895-6, when the total number of institutions in the Presidency was 26,066, and pupils 791,634. In 1890-1 the total amount spent on grants from provincial funds was Rs. 6,40,341, and yet in that year the number of institutions was only 22,028, and pupils 644,164. Thus, when the number of institutions and pupils was smaller, more money was spent. Aided institutions are starved.

19,658. (*Chairman.*) Would you let me ask on that point where we are to find those figures, because I understand that they are not traceable in the accounts? Where do you get that figure of Rs. 6,40,341 from?—From the Director of Public Instruction's Report.

19,659. Thank you. Would you go on, please?—The payment by results has become more or less a farce. For years past the schools have not been getting the actual amounts earned, but only a fraction of that amount, on account of want of funds. The Director of Public Instruction, in accounting for the distinct falling-off in kindergarten and object-lessons in all the standards (p. 106, D.P.I. report for 1895-6) gives as one of the reasons "the paltry rate of results grants provided for them in the grant-in-aid-code."

19,660. Now you say that the schools have not been getting the actual amounts assigned, but only a fraction?—Yes.

19,661. Is there any document which shows the reason for that, or how it has come about?—Want of funds. Supposing the school earns about 100 rupees by passing a certain number of pupils, then the whole is not paid; this 100 rupees is reduced according to circumstances to 60, 70, or 80 rupees.

19,692. That is to say, the Government, having only a certain amount which it can pay away in payment by results, is obliged to give it *pro ratâ;* for instance, a good school might earn 100 rupees, but the amount the Government have to spare for that purpose will only permit 70 to be paid?—According to the rules it is entitled to a larger amount, but owing to want of funds smaller amounts are paid. The report adds: "A third and a very formidable "reason, indeed, is the want of monetary inducement "to managers to teach these subjects, the assignment "we are able to make to schools annually as results "grants being small and such as can be earned by "passing pupils in the compulsory subjects alone." The assignment for salary grants amounts to Rs. 2,70,000, and a large number of high schools do not receive any assistance from Government.

19,663. That is a rising amount, is it not?—I just now pointed out that, taken altogether, the total grants have not increased in proportion to the increase in the schools and the pupils.

19,664. For instance, that figure that you give in 1895-96 is 2,71,000 rupees?—Yes.

19,665. And in 1896-7, it is 2,83,000, I think?—The total grants from provincial funds amounted to six lakhs in 1895-96.

19,666. I am talking of the Science and Art grants?—There is some increase, no doubt.

19,667. There are increased sums being given, are there not?—My impression is that there is some increase, but the increase is so slight. As regards furniture grants the Director himself says (p. 107), "only about Rs. 12,000 a year from public funds "are given as grants-in-aid to managers for the "better equipment of their schools. Managers of "primary schools in outlying villages are often quite "unable to do anything to provide their schools with "even the simplest articles" (p. 106). Female education, of which the importance cannot be exaggerated in India, makes but slow progress owing to want of funds. The increase in the number of girls in girls' schools for a whole year was only 211, which the Director of Public Instruction remarks "is insignificant, and lends support "to my statement in the last report that no appreciable "advance will be made in the number of girls' schools "unless additional funds are provided, which would "allow of assignment to such schools being raised. It "is somewhat different in regard to girls in boys' "schools, the managers of such schools being in-"terested in admitting as many girls as possible with "the certainty of earning the full amount of assign-"ment easily, each girl earning for them a larger "amount than each boy." According to the last Administration Report 76 per cent. of the boys of the primary school age, that is, three boys out of every four are not in school, and only 37 per cent. of the net cost could be assigned to schools in 1895-96.

19,668. Would you explain what you mean by that 37 per cent.; do you mean to say that, if a school costs, we will say, 1,000 rupees, the Government could only afford to give 370?—37 rupees out of 100 only; the 37 rupees the Government is only able to give as help; 37 rupees out of 100 which the school may cost.

19,668A. But the Government does not undertake to pay the whole; a part of the schools are paid from local cesses?—No, they are girls' schools. As a policy they do not charge the cost of girls' schools on local revenues and municipal local revenues.

19,669. How is the difference between the 37 which the Government can give, and the 100 rupees which a school costs, provided?—I think from fees and grants.

19,670. (*Sir James Peile.*) Endowment?—Endowments in some cases of course.

19,671. (*Chairman.*) Grants would be from Government, would they not?—Yes, if they are aided schools maintained by missionaries and Provincial Governments.

19,672. But that, you say, could only be 37 per cent.?—Yes.

19,673. Therefore they must look to fees and endowments for the balance?—Yes, I think so.

(*Continuing Statement*) 13,702 villages with 200 or more inhabitants, and 20,215 villages or village groups with less than 200 inhabitants, are yet unprovided with any

means of educating their children. The above figures indicate the extent of the work to be done before three-fourths or even one-half of the boys of school age are brought under the civilising influence of education. The charge for the lower primary education of boys, except in municipalities and the agency tracts, is a liability on local funds.

19,674. May I ask what an agency tract is?—There is a district called Vizagapatam, of which a part is under an agent of the Madras Government, administered by him.

Unless, therefore, local boards are able to assign an annually increasing allotment for education, it is futile to expect any large extension of the sphere of primary education. But local boards cannot conveniently do this, their resources being limited, and there being other demands on them. "Missionary and "philanthropic societies and public-spirited citizens "cannot be expected to open new schools," the Director of Public Instruction remarks, "when owing to dimi- "nished grants they find a yearly increasing difficulty "in supporting the schools already opened; and "parents, even if they have the means, cannot be "depended on to pay fees sufficiently high to cover the "cost of a school."

19,675. Well now, that district local fund rate has risen considerably over a period of years, has it not; has not the rate risen from Rx. 396,000 in 1884–85 to Rx. 529,000 in 1894–95?—In the course of how many years?

19,676. Between 1884–85 and 1894–95—ten years?—Then it will depend upon the increase in the assessment of land revenue.

19,677. I only say that the receipts from the local funds are rising in very considerable proportion?—Pardon me, I think I shall refer to that fact subsequently. The fact is that those cesses are raised on land revenues, and land revenues are fixed for a considerable time, and during the duration of that period these local cesses cannot increase.

19,678. But they have increased considerably during this period, have they not?—Because fresh revisions of assessment have been made.

19,679. (*Sir James Peile.*) And extensions of cultivation. They would increase with an extension of cultivation, if fresh land came into cultivation?—I would rather put it that it would depend on the revision of assessments.

19,680. Certainly; but also on the other?—Every time a land assessment is increased, the local cesses increase. But I want to bring out this point: that during the period for which the revision lasts, these local cesses will not increase, because they are a percentage on the land revenue collected. Far from being able to assign annually increasing sums for education, several local boards have, as a matter of fact, been led to reduce the allotment for education for 1896–97, with a view to give effect to the express orders of Government to assign 50 per cent. of the land cess collections to "communications." The allotment for results-grants in the local budgets for 1896–97 is, in consequence, Rs. 2,25,060 as against Rs. 2,31,750 in the budget for 1895–96; and I apprehend that the boards will make further reductions under this head in the ensuing year's Budget, in order to give full effect to the orders of Government. "If the provision for "primary education is thus to be left to the tender "mercies of local boards, without any definite under- "standing"—I again quote the Director of Public Instruction—"I foresee that its progress will be "checked and impeded. How different is the spectacle "presented by other civilised countries in this respect! "In Great Britain sufficient school accommodation "has by law to be provided in every district for all "the resident children between the ages of 5 and 14, "and the minimum age for exemption from school "attendance is fixed at 11. In France primary "instruction was made obligatory in 1882 for children "from 6 to 13 years of age. Education is general and "compulsory throughout Germany, and the school age "is fixed from 6 to 14. In Belgium each commune is "required by law to have at least one primary school, "and Government pays one-sixth of the charge. In "Denmark elementary education is compulsory, and "the school age is from 7 to 14 years. In Greece all "children between the ages of 5 and 12 years are "required to attend school. In Switzerland elementary "education was made compulsory in 1874, the school "age varying in the different cantons. In Japan—an "Asiatic empire of very recent growth—elementary "education is compulsory for all children of school "age (6 to 14)." The list need not be multiplied.

19,681–2. (*Mr. Naoroji.*) You might as well finish the quotation from the Director?—"There are those who "think that elementary education should be made "compulsory and free in this country; but it seems "to me that such a proposal is not at present within "the sphere of practical politics, seeing that we are "hardly able to carry on efficiently the number of "primary schools necessary to accommodate only one- "fourth of the children of primary school age. One "of two courses appears to me as of practical moment, "viz., either that a special allotment from provincial "funds for elementary education should be made to "supplement the local board allotments, or that a "special educational cess of some kind should be "imposed, local unions being organised for the "purpose. If the former course commends itself to "Government, the subject might advantageously be "considered in connexion with the renewal of the "provincial contract."

19,683. (*Chairman.*) Now I would ask you, do you happen to have anywhere the figures for India, similar to those which the Director gives for those European and Asiatic countries?—According to the last Administration Report, 76 per cent. of the boys of the primary school age, that is, three boys out of every four, are not at school: That is the only figure I have got on that point.

(*Sir James Peile.*) It is 22 per cent. of the male population of school-going age.

19,684. (*Chairman*) And there is no general or compulsory law of education?—Oh no. Of course in the renewal of the provincial contracts no such thing was done as the Director had suggested. Such is the condition of elementary education which the Government has repeatedly expressed its wish to advance. The Commission might well consider whether the education of the people has not the same, if not greater, claim on the revenues of the State as the extension of railway communication or war in foreign lands. The extension of education is as much a means of improving the condition of the people as the extension of railways.

19,685. (*Sir James Peile.*) Would you have compulsory education in India?—I would have it in some of the leading cities. I cannot say that I have considered the subject thoroughly, but, so far as I have been able to think about that subject and form any conclusion about it, I think that in large cities such as Bombay, Madras, and Calcutta, perhaps in a few other cities also, some such system might be experimentally tried, and it has sometimes been urged upon Government to do so.

19,686. (*Chairman.*) Would you increase taxation in order to find means for education?—If the increased taxation was intended solely for education, I would certainly advocate it. Increase of taxation would be to a certain extent borne with, if it was to be applied for the purposes of that kind, but the case becomes different when it is to be appropriated for other purposes which are not so popular.

19,687. If the choice lay between the making of railways which would have the effect of averting famine, and the appropriation of larger sums to education, which would you prefer?—I cannot say that I would prefer the one to the other; but I would certainly spend money upon both the objects in a more equitable proportion than is observed at present.

19,687*a*. You observed that the education of the people had the same, if not a greater, claim upon the revenues of the State as the extension of railway communication?—Yes, I do.

19,688. (*Sir William Wedderburn.*) But I understand that you do not mean railways for the averting of famine, because those are not now in question, I think?—Generally, I mean. I have not referred to any particular class of railways, I had the whole system of railway construction, as at present pursued, in my mind when I made that remark.

19,689. (*Chairman.*) Now, I think, you wish to pass on to the Police Department?—Yes. There is no branch of the administration which is more unpopular than the police. The rank and file of the force come into close and constant contact with the people, and,

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these men being ignorant and drawn from a low class of people as a rule, they are often guilty of a gross abuse of power. Out of the 22,233 men constituting the force, only 84·8 per cent. could read and write in 1895. Knowing how to read and write is not a high educational qualification; yet so many as 3,379 men could not read and write, and 18,222 had not passed any university examination.

19,690. What force is that which consists of 23,000 men?—The police force.

19,691. In Madras?—In Madras; I am speaking of the Presidency of Madras.

19,692. (*Mr. Naoroji.*) That is the whole police force without the village constables?—The whole Presidency.

19,693. The Madras Presidency?—The Madras Presidency.

19,694. With a population of 30,000,000?—32,000,000. Of course this includes Native States; I do not believe that they have got any separate system of village police in Madras.

19,695. (*Chairman.*) But besides these police, are there not village constables that keep order in the villages themselves?—No, I do not think there is any such system of village police in the Madras Presidency.

19,696. That is, you mean that this is the whole force that maintains order?—Yes.

19,697. (*Sir William Wedderburn.*) There are village servants, watchmen, and others?—Yes, there are village servants who look after the irrigation of the fields, and so on.

19,698. Watchmen?—Yes, watchmen.

19,699. (*Chairman.*) It has been brought before us, when speaking of the police force in India generally, that, in addition to the regularly constituted force, there are the village police, whom I understood to be constables or guardians appointed by the village, and paid partly by a grant of a bit of land and partly by contributions from the inhabitants?—There is no such thing in my Presidency. I think that system obtains in Bengal.

19,700. (*Sir James Peile.*) No police *patels*?—No, there are only these village servants; they are not even called police. That can be easily verified by referring to the Police Administration Report.

19,701. (*Mr. Naoroji.*) They have not anything like the police powers which a policeman has?—Oh, no; we know of no such thing as village police in my Presidency. Knowing how to read and write is not a high educational qualification, yet so many as 3,379 men could not read and write, and 18,222 had not passed any university examination.

19,702. (*Chairman.*) Are you really urging that a university education is desirable for a police constable?—For the higher classes.

19,703. But you see you are applying it to the whole force?—My remark applies to what we call inspectors, men paid more than these constables.

19,704. But I mean you are laying stress upon the circumstance that 18,000 out of the whole body have not passed a university examination?—Yes.

19,705. And anybody reading that, I think, would come to the conclusion that you thought an university education was a desirable thing for a constable?—For what they call the rank and file of the whole force.

19,706. Surely you only mean for the inspectors?—They are included in this number.

19,707. But, I think, you would admit that the person who heard you would be under the impression that you were bringing forward as a proof of incompetency in the force the fact that 18,000 of them had not been through the university. How many constables are there, do you suppose, in the London Metropolitan Police Force that have been through the university?—I do not know; when I made that statement I referred to the whole police below the superintendents.

19,708. But would you not confine your remark, if you think so, to the number of inspectors—that so many of them had not been through the university?—I will come to that point, my lord.

10,709. (*Mr. Naoroji.*) You mean by a university education the lowest standard that the university has—a matriculation examination?—Yes.

19,710. (*Sir James Peile.*) You mean the entrance examination?—We call that a university examination; I do not mean necessarily graduates. It is very difficult to get men of any education worth the name for the salaries paid to the constables. New occupations for men of this stamp are coming into existence, and, in order to attract proper men, it is necessary to give the constables better pay, and to offer them better prospects of promotion. The cost of the police in the Madras Presidency was, in 1895-96, Rx. 422,660, which shows an increase of nearly Rx. 24,000 over that of 1893-94. But in Madras, as well as throughout the country, the increase is due more largely to increased force than to increased pay (Police Administration Report, 1895, page 7). I may quote here what Mr. Jacob said in his evidence before this Commission: "I do not think that "the pay of clerical establishments has generally risen. "I may add that even now the pay of constables is "extraordinarily low; in some parts of India it is almost "less than an ordinary day labourer can earn." . . . "There has been an increase in the wages of domestic "servants in India." Pension is no inducement to these men, because, I believe, they do not get pensions. The inducement is mainly the illegitimate perquisites they get by an abuse of their powers. Already the Department complains of difficulty in obtaining recruits. The following extract from the Inspector-General's report for 1895 throws light on this point: "There "were 1,890 enlistments during the year, compared "with 2,761 in 1894." In Bellary, the superintendent was specially enjoined to maintain the district up to as near full strength as possible. He reports again the great difficulty in enlistments, and remarks that the abundance of local labour with higher rates of wages is the chief cause of the difficulty. The district magistrate remarks that the administration of the force in that district is uphill work, with the strength 39 short, and with only 414 out of 720 able to read and write.

19,711. (*Chairman.*) Four hundred and fourteen out of 720?—414 out of 720 were able to read and write.

19,712. But when you come to the whole force in Madras, you say that out of 23,000, 3,379 men could not read or write; that means that the remainder of the men could read and write, which is a very large proportion?—It may be so, but I am speaking of only one district—the Bellary District.

19,713. That would not apply to the whole country?—No.

19,714. Because, on the whole, when you are speaking of a country in which you represent the education to be so poor, to get a class of police constables of whom something like 19,000 men are able to read and write out of 23,000, does not mean a very low standard of primary education?—How does your lordship make out 19,000.

18,715. You said there were 3,000 men out of 22,233 constituting the force who could not read and write; and that only 84·5 per cent. could read and write in 1894-95. For a country in which education is so poor as you represent, that does not show a bad result; you will find a great many countries in which the proportion is lower than that?—But every effort is made to obtain men who can read and write; after all that effort which is made to obtain such men, that percentage only can be reached of men solely knowing how to read and write, which is not any education worth the name.

19,716. At the same time you observe that the pay of the men is such as not to tempt these men to come forward; therefore, you could hardly say that means are taken to obtain educated men for the post, inasmuch as the pay is not sufficient for that purpose?—I think we must carefully distinguish between the mere constables and the higher classes, the people who draw higher salaries, and to whose ranks it is possible to attract men of tolerably good education.

19,717. (*Sir Ralph Knox.*) Are there no duties in the constabulary which a man can perform without being able to read and write?—I think it would be very difficult; because, I suppose, he has has to keep a diary and report cases—some such thing.

19,718. In every case of the constables?—I believe so; I am not conversant with the details of the work, but I believe it is a great advantage to the constable to know how to read and write.

19,719. (*Chairman.*) Your argument is, is it not, that the pay of the police is too small?—Yes.

19,720. In fact, it is one of the services that you think has been rather starved?—Yes.

19,721. It does not at all follow that, because there has been an increase, that increase has been sufficient; but I want to call your attention to these figures. The expenditure on police in Madras was, in 1884–85, Rx. 385,000, it remained almost stationary till 1889–90, when it was Rx. 386,000. In the following years it has risen every year till, in 1894–95, it is Rx. 440,000, and in 1895–96, Rx. 458,000, while the revised estimate for 1896–97 is Rx. 465,500. Now, that is a considerable increase?—I refer to that fact elsewhere. I admit there has been an increase, but I add that this increase of expenditure is due not to any increase of pay, it is only to increase of the force. The superintendent and deputy inspector-general consider that an increase of pay to the rank and file is the only solution of the difficulty. During the year, attention has been given to the grant of rewards where special detective ability has been shown, and arrangements are now made to keep recruits as near as possible to their homes; recruiting parties were sent to all neighbouring districts where recruits were likely to be found. The result of these efforts has not been encouraging. Out of the 57 men enlisted during the year in one district, 19 were under chest measurement, and 6 over age and under size, and 24 were illiterate. The result of this is, no doubt, to make police work specially difficult in the district. In Chingleput, the superintendent reports on the difficulty of getting full-sized, healthy men. Head constables are of four grades, on Rs. 25, 20, 15, and 12, respectively. They are station house officers, entrusted with responsible powers. They are promoted from the rank of constables, and in point of social position or education they do not differ much from them. It is dangerous that such men should be invested with the power of investigating and prosecuting cases, searching houses, and so on. These should be men of better social position and education, and should receive higher salaries. The inspectors are, no doubt, a better class of men, but are hardly up to the mark. Their salaries range from Rs. 75 to 200, but it is quite possible to obtain young men of decent education to fill their places. Out of a total of 408 inspectors, 134 have not passed any public examinations; out of the remaining 274 inspectors, 4 have passed the B.L., 28 B.A., 33 F.A., and 144 matriculation. There can be no doubt that the police administration is very inefficient, and this inefficiency is mostly due to the fact of more or less incompetent Europeans being pitchforked into these appointments.

19,722. Could you tell us the number of Europeans in the police force in Madras?—Yes, I have appended a statement—Police, total number of appointments on Rx. 250 per month 66. Europeans, 64, with salaries amounting to 465,000 rupees, and Indians 2, with salaries amounting to 72,000 rupees.

19,723. And would the 64 include all Europeans employed?—Yes; perhaps, with the exception of European constables in the city of Madras—I refer to those receiving salaries above 250 rupees per mensem.

19,724. (*Mr. Mowbray.*) This simply refers to the Madras Presidency?—Yes.

19,725. (*Chairman.*) If you get a force of 23,000 men and 64 are Europeans, it seems pretty clear that the Europeans can only be the highest authorities?—The superintendents, as they are called.

19,726. Therefore, the administration throughout the country must really lie in the hands of native inspectors and native superintendents?—There are no such officers as native superintendents, but there are inspectors, of course.

19,727. Very well, the real administration of the police throughout the country, and the responsibility of putting the law into force, must lie under the direction of native inspectors?—Yes, if you would exclude the superintending work; the executive details are in the hands of the natives.

19,728. And yet you say that the result is very bad?—Yes.

19,729. Is that an argument in favour of the superiority of the native over the European?—That result is due to two factors: because inefficient Europeans are superintendents, and because, in the subordinate grades, proper men are not employed; I do not think I say that the inefficiency is the result only of inefficient Europeans being employed.

19,730. You say "mostly due to the fact of more or "less incompetent Europeans being pitchforked into "these appointments"?—Yes, "mostly due," of course.

19,731. Will you go on, and I will point out what I mean?—The internal administration is bad; the percentage of detection is very low; and the recovery of property is not better. In the last Administration Report, the Inspector-General remarks: "I remarked "in last year's report that I considered men had been "treated with undue leniency in this district (Krishna) "by Mr. Prendergast, and the visits of inspection paid "to the districts by myself and the Deputy Inspector-"General confirmed the view then taken. Both "Mr. Young and I found that discipline was unsatis-"factory, and that far too little work was exacted "from the men . . . In Bellary the number of "punishments increased, and here also there are "grounds for thinking that Colonel Hodgson, the "previous superintendent, had allowed matters to slide "too much." Of Malabar, the superintendent writes: "Much care has been exercised, the assistant superin-"tendent aiding me well in controlling the morale of "the force. 'It will yet take some time to produce "what is needed badly.' The falling off in the number "of men punished in North Arcot is not satisfactory "... I remarked then, in my inspection notes, "'that detection was falling off, and that the former "'strictness in the matter of drill and dress was not "'maintained. I feel certain that Mr. Thomas might "'have punished very properly in many more instances "'than was the case.' The police in the Ceded districts "are, as a body, inferior to the police in any other part "of the Presidency. The percentage (of conviction) "was on a lower level all through, and the low per-"centage of persons convicted to persons arrested "shows either a great want of intelligence on the part "of the police in judging of the value of evidence, or "a want of acumen on the part of the magistracy, or a "low standard of intelligence on the part of witnesses." The percentage of conviction in cases prosecuted was 37·7; this is the average; in some districts it was below 25 per cent. It is not uncommon for the police to shelve on other shoulders their own responsibility for the detection and punishment of crime. The District Magistrate and the Police Superintendent of Kristna say that, the district being rich, it invites criminal gangs. Other causes which obstruct the successful work of the police are, in the opinion of these officers, an indifferent public who do not reprobate crime, magistrates who take perverse views in the administration of the law, and incompetent jury. The Malabar Superintendent of Police falls foul of the jury, and says: "The system of trial by jury has been "the means of restoring many a housebreaker to his "family . . . The failure to obtain conviction by "juries will be seen in the increased crimes." An official circular has recently been issued in some districts that no complaint against a police constable should be entertained by a magistrate without a previous reference to the Superintendent of Police—a circular which I understand is illegal, and which, a few days ago, the Chief Justice of the Madras High Court condemned in severe terms in open court. Torture is frequently practised by the police. In concluding a protracted trial of a case of torture against the police the Sessions Judge of Calicut said in his judgment: "In my opinion torture is much more "prevalent among the police than it is generally "supposed to be." Such is the state of the police in this Presidency. It is inefficient and corrupt, and is officered by men who are often found fault with by the head of the Department and by Government for incompetency. The opinion is general that from the district superintendent to the constable, in every grade, there is much room for the introduction of educated men. The salaries of the force must be increased, and more Indians should be employed in the superintending grades.

19,732. Now I will take the evidence as you have put it forward. Of course, the indictment which you quote against the system of jury is a separate question; it does not concern the police, but you bring forward evidence which shows, as you have stated it, that the police is inefficient and corrupt, and officered by men who are often found fault with. Now that must extend, and with very great force, to the inspectors throughout?—Certainly.

19,733. And here you have a proo of a certain amount of incompetency in a force, officered by natives, a small number at the top excepted?—Yes.

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19,734. You met that by saying that these men are not paid high enough?—Yes, that very inferior men are appointed.

19,735. And you consider that, if the inspectors were paid higher, that would be a remedy?—That would attract a better type of men, and efficiency of that character would improve.

19,736. Observe that that is a different argument from that which you put forward at the beginning of your statement, namely, that "there can be no doubt that "the police administration is very inefficient, and this "inefficiency is mostly due to the fact"—mostly?—Yes.

19,737. "Mostly due to the fact of more or less "incompetent Europeans being pitchforked into these "appointments"?—Yes.

19,738. It may be the case that better Europeans might be appointed?—Yes.

19,739. But that would not account for the inefficiency and corruptness of the native officers?—But that could be a good deal changed if the superintendents were a better class of men. If they had closer control over these men, greater touch with them, if they were men of greater efficiency and knowledge, they would exercise more close control, andthe subordinates would be made to work better.

19,740. I want to elicit your answer to this fact. Here you have a force throughout the country of great importance, of which the whole administration, you may say, is in the hands of natives, apart from superintendents?—Apart from superintendents.

19,741. I admit that argument that, if the superintendents were thoroughly effective, the *morale* of the force might be better—I am not wishing to put that aside; but the practical administration of the service is in the hands of the natives, and you are describing a service which is entirely in the hands of the natives, as inefficient and corrupt?—The real administration is in the hands of the natives in this sense, that they execute the subordinate duties strictly under the control of superintendents, who have got in many instances assistant superintendents.

19,742. But the inefficiency of the superintendents does not make the force corrupt; you point out that the police are not only inefficient, but they are corrupt. The superintendents do not make them corrupt. I have to point out to you that this is the result with a service that is carried on and administered by native officers, that it is described by you as inefficient and corrupt. You have been putting—I do not say in any unfair degree—the competency of the native element against the European. When we come to a service in which the native dominates, and in which the administration really lies in the hands of the native, you are obliged to say it is corrupt and inefficient?—I daresay a good deal of corruption in the subordinate ranks can be prevented by a more efficient control, my Lord; and I say that the result is due to two causes; certainly mostly to the superintendents being inefficient, but to a considerable extent to the subordinate men being of an inferior type.

19,743. Therefore, the real remedy to which you are pointing is not so much the efficiency of the European as that you should get a better type of men by paying them better?—I am not sure that that is so. I certainly attach great importance to the superintendents being a better type of men; and, if I had the option, I should certainly spend more money in improving the superintendents.

19,744. Would you improve the administration if you promoted some of these corrupt inspectors to be superintendents?—Oh no.

19,745. (*Sir William Wedderburn.*) But does not the promotion of these corrupt and inefficient men arise from the ignorance of the superintendent who makes the promotion, and does not know a good man from a bad man? Is not that the reason why there are not satisfactory men among the subordinate officials of the police?—I will refer to that point later on. Certainly it is the case that inspectors are promoted from the ranks of constables, and oftentimes these inspectors are very unworthy men; and, if the superintendents were men of more information and more familiarity with the people than they are, as a rule, they would prevent the promotion of many of these unfit men.

19,746. (*Chairman.*) But in the management of 22,000 men, however efficient and excellent these 64 Europeans superintendents at the head may be, they must depend to a very great extent upon the reports made to them by the native officers who are under them?—Exactly.

19,747. If these native officers, who are in actual touch with the men, select and recommend bad men, the responsibility to my mind rests with the inefficient native officers?—Certainly, that is the argument in favour of improving the subordinates also.

19,748. It appears to me, in this case, that the real weight of the argument lies in the point that you do not get a sufficiently good type of man into the force?—That is also an argument, no doubt; but I would lay more stress on the desirability of the superintendents being better men. If only in one direction improvement is possible, I should certainly go for improvement in the ranks of superintendents.

19,749. (*Sir Ralph Knox.*) Are any of the superintendents natives?—In the Madras Presidency, none.

19,750. You do not know as regards the other Presidencies?—I think in Bengal, perhaps, there are one or two, but in my Presidency there are none.

19,751. (*Chairman.*) Who are the two native gentlemen who receive over 200 rupees per month?—There is the Deputy Commissioner of Police in Madras, in the city of Madras, he is one; I think both of them are in Madras, but I am not sure, my Lord. I am sure there are no native superintendents.

19,752. (*Sir William Wedderburn.*) The promotions are all made by the superintendent, are they not?—They are; yes.

19,753. And there are good men and bad men in the ranks, and owing to ignorance the European superintendent is very apt to promote the bad men who flatter him rather than the good men whose merits he does not know?—He is apt, no doubt, but I must qualify that statement by saying that the majority of men in the inspectors' ranks and the subordinate ranks are very incompetent men.

19,754. (*Mr. Naoroji.*) And therefore his choice of anything like good men is very limited?—Yes, exactly.

19,755. (*Sir Ralph Knox.*) From whom are the superintendents selected, who are they?—They used to be appointed formerly by the Provincial Government. Now they hold some examination in London, and the appointment is made by the Secretary of State.

19,756. (*Sir James Peile.*) Some of them are officers in the Army?—They used to be; not many of them; there are a few.

19,757. (*Sir Ralph Knox.*) Do you object to that system of selection; do you think that it fails to secure good men?—The system hitherto pursued has decidedly failed. Now they have a competitive examination for certain superintendent grades. I think, perhaps, that might bring better men.

19,758. (*Mr. Naoroji.*) But does that examination include the natives?—No; I will mention that presently.

19,759. You cannot draw from the better class of natives in any way for that?—Oh, no.

19,760. Otherwise; but it would be economical and also efficient?—Yes; I will refer to that later on.

19,761. (*Sir Ralph Knox.*) But you really think that the reformation which is required is to appoint natives to be superintendents, and to give more pay to the force generally?—To appoint competent natives to be superintendents, and a better class of men to the subordinate ranks; certainly that is so.

19,762. You mean that you would wish to appoint native superintendents, and to give more pay to the force?—Yes.

19,763. In order to obtain better men for the force generally?—Yes.

19,764. (*Chairman.*) Would you proceed?—The competitive examination which is held in London for the selection of men to fill assistant superintendents' places should be held in India also. If natives were largely employed, there would be, of course, a saving in the salaries and in compensation allowances. Less money would, of course, leave the country, and the Police Department would show increased efficiency. I have read the debate in the Viceregal Legislative Council, and have observed that inefficiency of the police is a complaint not confined to the Presidency of Madras.

19,765. (*Sir James Peile.*) You have been giving us your view about the police in Madras?—Yes.

19,766. I see in the financial statement for 1897-98, Sir James Westland gives figures of the charge for all India of the police. The charge in 1893-94 was Rx. 3,919,785, and in the Budget estimate for 1897-98 the charge is Rx. 4,184,300?—Yes.

19,767. Showing, as appears throughout, that there is a steady increase in the total charge for police in India; and he says: "And it is also necessary to "continue the progress already begun in costly "schemes of improvement in police administration"?—Yes.

19,768. That shows that the Government of India has in view an improvement of the police by increasing the cost?—Probably it has.

19,769. And the turn of Madras will come presently, I suppose?—It may come, certainly I hope so; but I anticipated that point by observing in a previous portion of my evidence that the increase—I quoted Mr. Jacob's opinion—is due rather to additions in the force than to increase of salaries. The increase of expenditure to which you refer is due rather to increase in the force than to increase of salaries.

19,770. (*Chairman.*) Has the force of Madras been largely increased lately?—Not much.

19,771. Well, but then I gave you the figures of the expenditure, which show a very large increase. If the force has not increased, I do not quite see how your argument applies. I gave you the figures which rose from 1889-90 when there were Rx. 386,000, to 1896-7, when the revised estimate gave Rx. 465,000. If during that time the police force has not been largely increased, I do not quite follow your argument that there has not been an increase of pay?—I could give the exact figures if I had the Police Administration Report of Madras, page 7. There details are given as to the increase.

19,772. Over what period?—For three years, 1893-4, 1894-5, 1895-6. I could have quoted the increase, but I thought it was unnecessary to refer to the details. There details are given as to the items of increase, and my impression is that the increase was due certainly to additions to the force.

19,773. (*Sir James Peile.*) Well, I have got a figure here which I can give you. It is a comparison of the police force in 1876-7, and the present time. In 1876-7 in Madras the total force was 20,032, in 1895-6 the total force was 20,926; the increase is not very large?—No.

19,774. (*Chairman.*) And yet the increase in the sum provided has been considerable?—The charge has been increased.

19,775. (*Sir Ralph Knox.*) Do the men in the police get increase of pay by length of service?—I think they have got grades of service. After certain lengths of service, and I think having regard to efficiency also, they get some increase of pay.

19,776. Therefore, the older the force, the greater would be the relative cost of the force under such a system as that?—I should think so.

19,777. On the average, they will be in receipt of a higher rate of pay than a force which was more or less newly constituted. If the men had longer service in that force, they would be in receipt of a higher rate of pay. If there is a gradually increasing rate of pay for the force, and the force is differently constituted by reason of the fact of men having longer service, that would tend to increase the cost of the force?—The cost would tend to increase if long service necessarily gave them a claim for promotion.

19,778. Or increase of pay?—I do not believe it is the fact that mere length of service gives the lower class of men a claim for higher pay. It would more or less depend upon the discretion of the superintendents and the heads of departments, I believe.

19,779. (*Mr. Naoroji.*) Have you any idea of the details of the increase of expenditure on the European portion of the police, and the native portion of the police?—I have. The increase is altogether on the European portion. I am sorry I have not brought the Administration Report with me, but on page 7 the details are given as to the increased charges.

19,780. (*Chairman.*) Has the number of European superintendents been increasing lately?—I think one or two superintendents have been newly appointed, but I cannot say anything with certainty.

19,781. If they have not been increasing in numbers, I presume that the only head of expenditure in which the increase of charge could take place would be the compensation allowance?—I daresay the compensation allowance goes to make a portion of the increase.

19,782. I mean the increase so far as it occurred upon Europeans. If the number of Europeans employed has not been increasing to any extent, the only increase that could affect the Europeans would be the compensation allowance, would it not?—But I have a firm impression, if my memory does not mislead me, that the increase is due to additional clothing allowance and to rewards for special services—a certain proportion is accounted for in that way.

19,783. But is clothing given to the superintendents?—I mean to the constables.

19,784. But I am talking about the Europeans employed; do they actually give clothing to the Europeans?—No, I do not think so.

19,785. But I want to recall your attention to this; the evidence before us generally shows that the salaries of the Europeans have not been very much increased of late?—No, I do not believe they have.

19,786. But what has been increased, and what you have very legitimately called attention to, is the charge for compensation allowance. If, as far as the Europeans are concerned, the numbers have not been very much increased, perhaps the only increase that has taken place in respect of Europeans would be in consequence of the compensation allowance?—The compensation allowance, to some extent.

19,787. What else could it be, if you have not increased the numbers, and if you have not increased the pay? Where is there room otherwise for the increase?—A portion of the increase might come in this way, my Lord; without any increase of force, rank and file, some increase is paid to give them clothing. Mr. Naoroji has indicated an opinion that this increase of charge is attributable to the Europeans who are employed. Mr. Naoroji comes forward on his own account, I did not mean to say that it was a fact. I only asked——

19,788. What I wanted to see was this; if they had been increasing the number of Europeans employed, Mr. Naoroji's argument would be a very fair one to call attention to. You rather doubt whether they have been. You do not believe either one way or the other; and then I say if the number of Europeans had not been increased, the only increase that could be expected to be found as against the Europeans would be the compensation allowance?—I believe so. So far as my recollection goes, the salaries of Europeans do not come in for any large share of increase.

19,789. Now, I think, we come to the Public Works Department?—A reference to the Appendix O 14, of the report of the Public Service Commission, will give an idea of the effort that has been made for the last 95 years to bring about a larger employment of Indians in the Public Works Department. Still, at the time that the Public Service Commission reported (1886-87) the number of Europeans and natives drawing salaries over Rs. 100 a month, employed in the superior engineer establishment, was as follows. Out of a total of 1,015,

Europeans not domiciled in India (or about 80 per cent. of the whole) - - -	810
Europeans domiciled in India and Eurasians	119
Natives of India - - - -	86
Total - - -	1,015

The Public Service Commission recommended that there should be an Imperial branch and a Provincial branch; that the strength of the Imperial branch should not be greater than is necessary for purposes of control and direction, and for the execution and repair of works calling for high engineering skill; and that the recruitment from the Cooper's Hill Royal Indian Engineering College, which appeared to the Commission excessive, should be regulated accordingly; that the provincial branches should be of a strength adequate for the construction and maintenance in the several provinces of works not ordinarily calling for high engineering skill; that the recruitment for the provincial branches should be made by the direct appointment to the lowest grades of qualified engineers from the Indian engineering colleges, and, in exceptional cases, by promotion from the upper subordinate grades; and that the number of professional engineers and

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military officers employed in the Superior Accounts Branch is excessive, and should be reduced. Full effect has not yet been given to these recommendations. In the statement I have prepared showing the excessive employment of European agency in the various branches of the service, the number of Europeans and Indians employed in the Department of Public Works is shown. Of a total of 141, Europeans are 118, drawing an aggregate salary of Rx. 106,890, whereas the Indians are only 23, drawing Rx. 10,700, and the highest appointment held by an Indian is that of an executive engineer, on Rs. 700. The history of the employment of natives in this Department, as in the case of the Civil Service generally, is one of alternate promise and disappointment. So long ago as in 1871, a committee appointed by the Madras Government reported that *three* appointments as probationary assistant engineers should be annually given to those students who might attain the most distinguished positions in the list of Bachelors of Civil Engineering. But this recommendation was not fully adopted by the Government, who decided that only one appointment should be made annually instead of three. Subsequently, however, when the appointment was claimed by a distinguished Bachelor of Engineering, the Government denied that this was an absolute guarantee. Again, the Government of India, in a resolution in 1882, guaranteed one appointment as assistant engineer every year; I think it is under this guarantee that the Indian strength in the engineer establishment is even so much as it is now. Indian engineers do not receive proper encouragement. They are frequently superseded by European subordinates (*vide* Report of the Public Service Commission, Abstract of Evidence). Not only in the general service, but in the local service also, are the claims of Indian graduates superseded. The kind of public works which district boards in Madras have to execute, do not require a high engineering skill. Still, the engineers of these district boards are Europeans, receiving compensation allowance.

19,790. I gather that your view is, that the employment of European agency is excessive, and that, in spite of the reports of competent persons, effect is not being given to the recommendations which would increase the number of natives employed on those works, and reduce the number of Europeans?—Yes.

19,791. I should like to ask you whether this is not the case—that a provincial Engineer branch has been established, and that it has been already ordered that a certain number of appointments every year shall be made otherwise than by appointment in England: As far as civil, as distinguished from Royal Engineer, officers are concerned, the department will eventually be composed in equal proportions of men sent out from England and of men recruited in India. I have here what will be the result of that. In Madras, for instance, the total strength will be 84, of whom 16 will be Royal Engineers, European civil engineers 34, and Indian civil engineers 34. And for the grand total of India the number is 730 engineers, of whom 130 will be Royal Engineers, 300 European civil engineers, and 300 Indian civil engineers?—Yes.

19,792. And, as I understand it, that has been ordered, and that is being gradually carried out?—Yes.

19,793. Do you know that that is the case?—Yes. I have just ascertained it—of course in Madras effect is being given to the provincial branch, but the figures I quote are up to date. The provincial service is being constituted, and the result at the present moment—the figures I have taken from the latest Civil List—the figures I have quoted are what I have stated. Out of 141 only 23 are natives, even though effect is being given to this provincial branch; which is not a satisfactory proportion.

19,794. Of course the standard aimed at will only be attained after some years. Is there any indication of the period of time when full effect will be given to the system?—I do not believe that anything is said as to the number of years by which these maximum figures which your Lordship has just quoted will be reached.

19,795. Well, apparently, it is being carried out, although, as I mentioned, it will take some time. Twelve appointments are being made now annually in order to bring up the number of native engineers to 300. That must take some time before it can amount to 300. I am not in the least questioning the figures you give for the present moment; I am calling your attention to the fact, in order to see whether you agree with me that measures are being taken to meet this complaint to some extent, at any rate for the future?—But the point is that it will take an indefinite length of time.

(*Mr. Naoroji.*) May I ask the date of this scheme, please?

19,796. (*Chairman.*) July—letter of the Government of India, presented to Parliament April 1890. That is the letter from which I have been quoting in 1890. There is another one, rather later, 1892—1890–1892?—The point to be borne in mind is this, my Lord: at the present moment, when it is supposed that effect is being given to the recommendations of the Public Service Commission by the establishment of the Provincial Branch, we have got only 23 out of 141, 23 Indians out of a total of 141, and when the maximum will be reached is not said. It may be any length of time; and even then, when the full maximum is arrived at, there will be only half native and the other half European engineers, and still there is another proportion left for Royal Engineers. I think that would be a state of things which even then would be open to criticism.

19,797. I think you have the total of Europeans and Indians employed in various departments in the Madras Presidency?—Yes.

19,798. Will you put that in?—Yes. (*Paper handed in.*)

19,799. Are there any remarks that you would like to make upon it?—I would draw your Lordship's attention to the fact of the preponderance of Europeans and the very small proportion of natives in the various services, and the consequent unnecessary expenditure of money both in the way of higher salaries being paid and compensation allowance having to be paid; and I may also add that I am of opinion that the increased employment of Indians would improve the efficiency of the services also.

19,800. Would you wish to express any opinion upon the apportionment of expenditure?—Yes. I have not much to say under this heading. Regarding those items of payment which have been under constant dispute between the two countries, all that can be said has been said by witnesses representing the Government of India. I do not think that the Indian taxpayers' point of view can be put more strongly than was done by Lieutenant-General Sir Henry Brackenbury, the late Military Member of the Government of India. Perhaps I may quote the words with which he concluded his evidence. He said: "I should like to "express my opinion that, if this Royal Commission "could see its way to recommending the abolition of "all these accounts for military and naval services, "for the Secretary of State's salary and the expenses "of the India Office, for diplomatic and consular "charges in Persia, China, and elsewhere, and to "substitute for them a fixed contribution from India, "as her return for the advantages she derives from "Her Majesty's Government and Her Majesty's Navy, "treating India more generously than she is at present "treated in these accounts, the acceptance of such a "recommendation would remove many constant causes "of irritation, and would do much to convince all "classes in India of the desire of this country, which "rules India, to treat India justly and generously." General Brackenbury very truly pointed out that Great Britain rules India not for the exclusive benefit of India, but for her own benefit also. He said: "Look "at the hundreds and thousands of people that we "know, whose sons have gone out to India and got "employment there, and the great commerce which "we have with India; and with regard to that, what "I would point out is that, if India, for instance, were "to fall into the hands of Russia, we know perfectly "well that our commerce there would become practically extinct, because, if she did not practically "prohibit the importation of British goods, Russia "would put on such differential duties on them that "she would make it practically impossible for them "to be imported, as she does in Central Asia and "elsewhere." Well, then, if the possession of India is so important for the commerce of the United Kingdom, for the livelihood of hundreds and thousands of her people, for her prestige and influence in the world, and, I may add, for her very existence as a great power, is she not bound to pay a portion at least of the cost of that possession? The possession is secured not only by the army only but by the costly European agency employed to control and direct the civil administration. The cost of this whole European agency—the military as well

as the civil European agency—is now entirely borne by the Indian taxpayers: This alien agency is kept in India avowedly with the view of maintaining British supremacy. In reply to the representations of the Indian people that their claim for employment in the higher branches of the services is persistently ignored, British statesmen have repeatedly said that a certain minimum would be indispensable in order to maintain British rule in India. The money drain is not the sole evil of India's foreign domination, but the moral deterioration of the people is its worst evil. Under the existing system of Government, the Indian people must be hewers of wood and drawers of water. British rule provides no opening for the ambition of individuals or for the aspiration of the nation. No Indian can hope to become a great statesman, a diplomatist, a general, an administrator, not to speak of the nation being allowed its right to govern itself. This pecuniary drain and this moral deterioration give my country a claim on the sympathy and generosity of the British people. I do not in the least mean to under-estimate the benefits that India has derived and is deriving from British rule—far from it. But my position is, that if India has benefited from that rule, to Britain the Indian possession has been much more beneficial, and the ruling country, while paying in some measure for these benefits, should afford adequate compensation for the evils it necessarily inflicts on the dependent country. I would therefore say that England should pay for all that portion of the military charges which are incurred, not for the purpose of maintaining peace and order within the boundaries of India, but for the purpose of upholding her supremacy in Asia and indirectly in the world. She should also pay a moiety of the charges incurred for the salaries of European employés in the military and civil services. All charges incurred, since the time of, and including, the second Afghan War, on the North-West Frontier should be equally divided between the two countries. The entire cost of the conquest and subsequent administration of Upper Burmah should be refunded to India. Whenever any Indian troops are sent outside of Indian frontiers at the instance of the British Government, the whole cost should be borne by the British Exchequer. The frontiers of India should be defined by statute, and they should not be extended at the expense of her taxpayers. Whenever any difference may arise between the Government of India and Her Majesty's Government regarding the apportionment of charges, the decision should be vested in the Judicial Committee of the Privy Council, which is a tribunal already in existence and which would obviate the necessity of finding arbitrators in whom both the parties would have confidence. The Judicial Committee of the Privy Council is well known in India and commands universal confidence as an impartial and unbiassed tribunal.

19,801. I think we quite understand the view that you, Mr. Iyer, and other gentlemen coming from India have taken as to the desirability, from your point of view, of increasing the number of native Indian gentlemen in the higher positions in India; but you quote Sir Henry Brackenury when he speaks of: "look at the "hundreds and thousands of people." Well, you see that implies a very large number. Literally, it is true, because there are, as we all know, a great number of people passing the thousand, and, therefore, passing the hundred, and, therefore, it is strictly true. You can say hundreds and thousands, only that is rather a misleading description of the matter. I want to ask you in reference to that, do you know what the strength of the Civil Service in India is—the Covenanted Civil Service?—I think that is 1,000 and odd; about 1,000, I think.

19,802. Well, I believe it is about 1,000. And do you know what the Uncovenanted Service is?—A very much larger number, I suppose.

19,803. It is smaller, the Uncovenanted, is it not?—It is much larger, the Uncovenanted.

19,804. You are including all?—Yes.

19,805. But what is called the Uncovenanted Civil Service establishment is a small number, is it not?—That term has ceased to be used now.

19,806. I have read that the Covenanted Service is 1,000, and the Uncovenanted Service, properly so called, is 300?—English gentlemen employed in the Uncovenanted?

19,807. Yes?—Very likely.

19,808. I admit at once that a great number of Europeans are employed in more or less subordinate capacities in various services, such as telegraphs, post office, and railways, and so forth, but they are not the governing body. But just confine yourself to the actual governing body of India; do you think such a number as 1,300 men to be sent from here is excessive, as long as we rule India?—I understand your Lordship to refer only to the civil and judicial services.

19,809. For the moment. I do not want to ignore in the least the fact of there being a great number of Europeans employed, but I am taking only the governing body?—I want to understand your Lordship. Does your Lordship only refer to what is called the Civil Service?

19,810. I include all regular Government officers. I throw in the Uncovenanted Service?—Yes.

19,811. I wish to ask you whether you think that that is a very large number for the country charged with the responsibility of governing India to send out?—"Very large" is rather a relative term; but I should certainly think that there is scope for reduction in the number.

19,812. To me, as an independent person, it does not sound a particularly large number to be entrusted with government; it can hardly be fairly said that, if we, as the country charged with the responsibility for the Government of India, send out for this purpose as many and not more than 1,300 we can be considered to be very grasping of the employment, can we?—I cannot realise the point. Your Lordship says it does not sound a very large number in your ears, but I think certainly, from the point of view of the wants and capacities of the country, that the number, though not absolutely large, is a fact which is very material and which deserves serious consideration.

19,813. That is a point upon which, I take it, you are here to express such a view to us?—Yes.

19,814. (*Mr. Naoroji.*) It is not only the number, but the amount paid to them, which is very large, which economically is very injurious to the country, is it not so?—I was just going to refer to that, but his Lordship only referred to the number. I did not refer to the economical effect, but to the number. Though not actually large, still relatively to the condition of the country it is susceptible of reduction.

19,815. (*Mr. Buchanan.*) Do you think there is an excessive number of British officers in India?—I beg your pardon, "excessive number" is a relative term; when you consider it in relation to the requirements of the Empire and the requirements of the country, I certainly think it excessive.

19,816. In the civil employ?—In the civil employ.

19,817. Considering that British India contains a population of 250 millions, and there is a civil staff of 1,500 of European-born British subjects, you think that that is an excessive number?—I do not believe that the comparison is exactly fair. When we refer to the Civil Service, we only refer to the controlling and directing body. If you take the whole of the administration of the country, including the subordinate officers, relatively the proportion may not be large, but, when we take all the Civil Service, about which we complain that it is excessively manned, we refer to the directing body, the controlling body, and certainly there is much scope for a reduction of the British agency, and for a further employment of the native agency.

19,818. I quite understand your pressing for a larger number of natives being employed?—In the directing body.

19,819. But do you contend that the existing number of European-born British subjects in the civil employ is excessive?—I beg of you to consider it from this point of view, from the point of view of the salaries they carry, and from the point of view of the scope they shut out for the employment of native talent, and the effect that that large number has on the training and the aspirations and the gradual bringing-up of the educated people of the country. When we consider that number from those aspects, it is certainly excessive. It shuts out all scope for the employment of native talent in the higher and more responsible posts, and it involves a large payment of salaries, I think, amounting to a very large sum, and

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then it also has the effect of making the people morally deteriorate. They have to be content with employment in subordinate ranks. Looked at from these points of view, I think I may safely say that the number is certainly excessive.

19,820. (*Chairman.*) On the other hand, you must take into consideration this, that at the present moment England is responsible for the government of the country?—It is, certainly.

19,821. While England is responsible, you must expect that she will keep a directing voice; she could not hand over the government to the native element. She must keep the directing power as long as she is responsible; and, while she is responsible, would you say that that number, 1,000 or 1,500 as the governing and directing body, is too large a number for the purpose?—My Lord, that depends upon the policy which British statesmen adopt. They are responsible for the security of the Empire; but even within the limits of the security of the British Empire in India I am not sure that I can say that there is no scope for the employment of further native talent; even granting that the ultimate controlling power is to rest with the nation that is responsible for the government of the country, even granting that, I am not prepared to say that there is not scope for further native employment. All I ask is, not that the British agency should be altogether superseded, but that there should be a further introduction of indigenous service.

19,822. If you speak of what is a possible request on your part, you must acknowledge that for any practical purpose you have to consider that England is responsible for the Government of India?—I do, most certainly.

19,823. And, that being the case, do you think that she could discharge the responsibility which she has undertaken by employing a smaller number of people? And do you think it very unreasonable, if she continues to discharge that responsibility, that she should keep such a force of men as will make England the directing power in India—that is what it comes to?—Well, I have not the slightest doubt that her responsibility will not be in the least compromised by employing more natives in the posts which are now exclusively occupied by Englishmen.

19,824. (*Sir W. Wedderburn.*) Will not the hold of this country over India be very much strengthened, if the whole of the service, the native service, were rendered more devoted to British rule by a reasonable prospect of rising to good positions and identifying themselves with the British Government?—Certainly. I said that the security of the Empire would not be in the least weakened.

19,825. On the other hand it would be strengthened?—The moral hold of England on India would be strengthened, and it would give England far more power.

19,826. The argument strongly urged in regard to the employment of Europeans is fairly expressed by Lord Kimberley in one of his speeches, in which he says that the question of British supremacy in India depends on the European service. If, therefore, the European service were at its irreducible minimum, is it not just that the British people, if they find this European service absolutely necessary in order to maintain their supremacy, should pay for it to a reasonable extent?—That is what I urge in my paper.

19,827. (*Mr. Buchanan.*) Do you think that all offices in India, from the Viceroy's downwards, should be open to natives?—Yes, I do say that they should be open to natives. It does not follow that natives would always occupy such places.

19,828. But that they should be eligible for all offices?—Yes

(*Chairman.*) Including those of the Viceroy and the Commander-in-Chief?—Yes.

19,829. (*Sir W. Wedderburn.*) The Mogul Emperors employed Indian officers in the very highest offices of State, did they not?—Yes, they did. A Hindoo Commander-in-Chief was Viceroy of Cabul in the Mogul time.

19,830. And with great success?—And with great success.

19,831. The consequence was that they were regarded as the National Government, although they were originally foreigners?—Now that you put that question to me, I can say that the moment that policy was departed from in the Mogul Emperor's time—the policy of placing complete trust in the Hindoo fellow-subjects, and placing them in the highest positions of responsibility—the Mogul Empire was doomed to fall.

19,832. (*Mr. Naoroji.*) And then, even as foreigners, when they became the rulers of the country, they became really the native rulers, and there was no such thing as the English drain which exists now, as they were no longer foreigners?—Yes.

19,833–4. (*Chairman.*) And you look upon the restoration of the Mogul Empire as a thing to benefit India, as a form of government you would like to see reconstituted now?—Oh, no, far from it. That has always to be taken for granted—that, in all our complaints against British rule and our talk of grievances, we do not, even if our position were made less tenable than it is now, for a moment entertain the idea of British rule being supplanted by any other rule, or of going back to the days of Mogul Government—far from it. I am glad your Lordship elicited that acknowledgment from me; otherwise my evidence was rather apt to be misunderstood. I think I can speak for the other witnesses that come from India, and most distinctly assert that in all these complaints we do not in the least wish to convey an impression that we would have the British hold in India shaken in the least.

19,835. (*Sir William Wedderburn.*) Your wish is to remove grievances, so that the British Government may be stronger than it is at present?—Exactly.

19,836. Because it will be with the assent and approval of the people?—Yes.

19,837. You wish to remove a source of danger and weakness?—Yes, exactly.

19,838. (*Chairman.*) I quite understand, You hold a quite legitimate contention. It is, that the Indians might be much more largely employed; and in holding that opinion, so far as I understand, you are not holding an opinion different in principle from that which the English Government professes. It is a difference of degree. I think it has been laid down by the English Government very strongly that they desire to employ Natives, as far as possible, in the Government of India; therefore, it is a difference of degree?—Exactly. This is exactly our complaint, that the practice is so far different from the theory, that the principles laid down as the guiding principles of British rule in India are so far different from what is being actually done.

19,839. (*Mr. Naoroji.*) And India cannot afford to pay under the present system for such a Government as the British Government is at the present time?—As it is at present administered, of course.

19,840. (*Mr. Buchanan.*) Do you look forward to a time when the whole Service of India should be put into the hands of the natives, the country remaining part of the British Empire?—As you have put that question to me, I say I do look forward to a time when India will be almost in the position of Canada; that, while there will be a very substantial measure and symptom of British supremacy in my country, the administration will be chiefly and almost entirely in the hands of the people of the country. We do look forward to that time, and our whole hope is based upon the fact that the great British nation means to be just and generous, and that it will treat India fairly and generously.

19,841. (*Mr. Naoroji.*) Do you know that Lord Salisbury has expressed a similar opinion that supremacy, a guiding supremacy, would be the best thing, and turn the whole of India into so many divisions called native districts or Native States, so that the whole may be practically governed by the Indians, and yet the British supremacy may be strengthened and may be made far more beneficial even to England itself than it is at present?—I remember his having said something like that in connexion with the restoration of Mysore.

19,842. He said that in connexion with Mysore; but that is only an illustration; and restoring Mysore meant, first, the security of the people, and, secondly, the security of the British supremacy?—Yes, I think so.

19,843. (*Chairman.*) We will now turn to your views upon surpluses and deficits?—It is true that there are no true surpluses in Indian finance due to increased revenues resulting from the taxpayer's prosperity. The surpluses are, in most cases, arrived at by fresh taxation, by loans, or by reduction of the normal standard of expenditure. I have prepared the following statement to prove this.

		Rx.		
1884–85	Deficit	0·39 millions	Total deficit	Rx. 5,039,000
1885–86	,,	2·81 ,,		
1886–87	Surplus	0·18 ,,		
1887–88	Deficit	2·03 ,,		
		Rx.		
1888–89	Surplus	37,000	Total surplus	Rx. 6,804,000
1889–90	,,	2,612,000		
1890–91	,,	3,688,000		
1891–92	,,	467,000		
1892–93	Deficit	833,412	Total deficit	Rx. 2,380,410
1893–94	,,	1,546,998		
1894–95	Surplus	693,110	Total surplus	Rx. 2,227,108
1895–96	,,	1,533,998		
1896–97	Deficit, Revised Estimate	1,986,900	Total deficit	Rx. 4,450,900
1897–98	,, Budget Estimate	2,464,000		

	Rx.
Total deficit during the 14 years	11,870,310
Surplus	9,031,108
Total net deficit	2,839,202

19,844. (*Chairman.*) Will you tell us what you intend to prove by this statement. Are you only proving that the revenue is not elastic?—The point I want to make out is this, my Lord, that the so-called equilibrium between income and expenditure of British India is not based upon any substantial increase of the revenue, it is more or less fictitious.

19,845. That is to say, your impression is that the revenue is not elastic, and that is really what you mean?—Yes.

19,846. Why I asked you the question is this: It is difficult for me to understand what is meant by a surplus not being a true surplus. You can only speak of a surplus of the income and the expenditure of the year; if the expenditure is reduced, perhaps most unwisely, and the revenue has realised more than the expenditure, you have then a surplus; that, for that year, is a surplus. If you choose to borrow money in order to carry out works instead of doing them out of revenue, as far as the income and expenditure goes, it gives you a surplus, though that surplus may have arisen from a policy which is not wise in itself. I am trying to make out what you mean by a true surplus in that sense; but, if you mean that the revenue is not elastic, I do not know whether you could prove it, but that I quite understand?—I think your Lordship has understood me most correctly. What I want to say is, that the surplus is not the result of excess of receipts over expenditure, the excess being due to increased capacity of the people to pay.

19,847. (*Mr. Naoroji.*) You mean that the true surplus should be anything that remains after satisfying all the necessary demands of expenditure; then it would be a true surplus. If by curtailing expenditure or by increasing taxation a surplus has accrued, it is not a true surplus?—That is what I mean. That is what I explain it to be.

19 848. (*Chairman.*) What you mean to say is, that in your view the revenue is not elastic?—Yes.

19,849. In 1897–98 the deficit of Rx. 2,464,000 is, I suppose, upon the Budget Estimate?—Yes.

19,850. But immediately afterwards you have the figures Rx. 4,450,900; what are those?—The total deficit for 1896–7 and 1897–8. I have divided the 14 years into periods of surpluses and deficits.

19,851. Well, of course, I do not demur at all to your including the Estimate for the current year, but still that is an Estimate, and one knows that in Indian finance the Estimate is a very unsafe guide for the year's actual revenue and expenditure?—Yes.

19,852. You see, if you confined yourself to actual facts, and left out the Estimate of 1897–98, you would get upon the 11 years something very like equilibrium; you would indeed get the equilibrium upon the 13 years?—Upon the 13 years.

19,853. It would be very near equilibrium as far as actual facts are concerned?—Still, on the side of deficit rather than on the side of surplus.

19,854. At the same time, if you like to throw in the Estimate, I do not demur to that, only that one knows from experience that the Indian Estimates, especially the Budget Estimates, are very liable to variation—the result generally turns out somewhat different from the estimate?—But I may add, my Lord, that this year the likelihood is rather that the variation will be on the wrong side, looking to the famine and the exchange.

19,855. It is a very extraordinary year; however, taking your figures, they represent on the 14 years something like Rx 200,000 a year as the average deficit. do they not?—Deficit, yes.

19,856. It comes to something under Rx. 203,000. Well, during that period between 1884–85 and the present time, the Indian State has had to meet a very heavy charge owing to a fall in the sterling price of the rupee?—Yes.

19,857. Is it not fair to take into consideration that that very heavy charge had to be met?—Oh, yes.

19,858. Now, I want to test the prudence and the success of the finance of that time. I have here a paper which makes out that there has been an additional charge put upon India during the years subsequent to 1884–85 of nearly 92⅛ millions through the exchange. The average charge for exchange for each year was Rx. 8,400,000. The exchange charge in 1884–85 was 3¼ millions, and that leaves an average yearly excess over the exchange charge in that year, which had to be met, of Rx. 4,883,000; and yet that extra charge has been met during these 11 years, and at the end of the time you are only able to show that it has caused an average deficit of Rx. 200,000. Is it not fair to bring that forward when you are speaking of these surpluses and deficits?—I have; I do not think I omit the consideration due to the fall of exchange in my evidence.

19,859. I know; but still, if it had not been for this fall in the value of the rupee, what a very favourable result the ordinary financial operations of India would have shown; and, as it is, even the whole of this enormous extra charge has been met. It has been met partially by increase of taxation—that I admit—but it has been met, with the result, at the end of the time, of not throwing any burden upon posterity further than may be represented by this average sum of Rx. 200,000, or the accumulated sum of Rx. 2,800,000. I think that is rather a satisfactory result, is it not?—I do not question the wisdom of the financial system

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of India at all; my figures are intended to draw your Lordship's attention to the fact that the financial condition is not on a very sound basis, I mean so far as the capacity of the people to pay taxes is concerned.

19,860. But I should call that a very sound basis indeed. I doubt if you will find any State throughout the world that, if it had been exposed during that time to such a heavy increase of charge as that I have alluded to, would be able at the end of the time to show as clean a balance sheet?—It may be so, but what I urge is that we are entitled to better results, if only the expenditure had been kept within more moderate limits.

19,861. That is a fair argument; but that is the result; and when you say that during all this time you have got a total net accumulated deficit of Rx. 2,800,000, without bringing into prominence the fact of this very heavy abnormal charge which the Indian Government has had to meet, you hardly give quite a fair view of what the Government has had to do?—I am quite willing to make all possible allowance, to give due consideration to that great fact of exchange having been so much against the Government; but, on the other hand, if only expenditure had been kept within moderate limits, if military expenditure had not been so largely increased, if compensation allowance had not been given, we might have had a better result; perhaps all these difficulties of exchange might have been overcome with less difficulty.

19,862. I admit the force of what you say as arguments to be taken *per contra*. I think you wish to take the deficits year by year?—Yes. The first period of deficits, that is the four years ending 1887–88, was the period when the addition to the Army was made and Upper Burma was annexed. It was a period of great trial.* Financial equilibrium was restored by an increase of the salt duty, the imposition of an import duty on petroleum, the absorption of the Famine Grant, the appointment of a Finance Committee to enforce reductions of expenditure, and the appropriation by the Government of India of Rx. 640,000 yearly from the revenues at the disposal of Provincial Governments. In the financial statement of 1887, the Finance Minister said: "For the present, therefore, until the outcome of the "present difficulties is seen more clearly, the Govern- "ment considers that, in providing for the necessary "expenditure arising from its administrative needs, it "should avail itself of the resources which, in times of "surplus, are assigned from its resources to the con- "struction of railways or to the diminution of the "amounts which it borrows annually for railways." In other words it was contemplated, in subsequent years, to reduce the expenditure on railways, or to borrow more largely than the Government would have done under better circumstances. As a fact, in the years 1885–86 and 1886–87, so much as 7,700,000*l.* was borrowed in England for the construction of railways, although the declared policy of the Government is to borrow in India for this purpose. There was also the usual increase in these two years of the Government's "Debt and obligations" in India to the amount of Rx. 202,160,459. Measures of additional taxation referred to above were taken in the latter part of the year 1887, and were estimated to produce about Rx. 1,900,000. But, as they were introduced at the end of the year, they had but little effect on the revenues of that year. In sanctioning this additional taxation, the Secretary of State examined and reviewed the financial relations between the Government of India and the Provincial Governments, and pointed out the inequality of the existing arrangements which secured freedom from financial difficulties to Provincial Governments, while the supreme Government might be passing through a phase of acute embarrassment. The Government of India was requested to reconsider the propriety of arrangements which protected Provincial Governments from sharing in the financial responsibilities of the Empire and from contributing to their relief. Proposals were accordingly made in October 1888, which ended in contributions from Provincial Governments to the amount of Rx. 740,000 in aid of Imperial revenues, although at that time hardly eighteen months had elapsed since the so-called quinquennial contracts had been settled. In the year 1888–89, notwithstanding the addition of nearly Rx. 2,000,000 that the new taxation was expected to bring, a deficit was estimated for, after including considerable sums in the expenditure of the year for special defence works and for military expeditions, which were Rx. 1,121,500, and Rx. 387,500 (the latter being Rx. 142,500 for the Black Mountain Expedition, and Rx. 210,000 on account of Sikhim, besides Rx. 35,000 on account of the Lushai Expedition). On January 27th, 1888, Mr. (now Sir J.) Westland summarised the position thus: "The fall in the value of silver, "the necessity of improving our military strength, and "the expenditure connected with the occupation of a "new province, had absorbed not only the three years' "improvement of revenue, but the whole of the margin "which we possessed in 1884–85. Every rupee of the "revenue shown in the estimates of 1887–88 was "pledged, as the financial statement put it, 'for the "'necessary expenditure arising from our adminis- "'trative needs; and for the risks of war and of "'famine, and of exchange and of opium, nothing "'whatever was reserved. Nay, more, we were pledged "'to heavy expenditure upon the defences of our "'harbours and of our North-west frontier, and this "'expenditure, all unremunerative as it is, was entirely "'provided for with borrowed money.'" The accounts of this year (1888–89) showed a nominal surplus of Rx. 37,000, instead of the estimated deficit, due, no doubt, to the increased taxation of the previous year and to the absorption of the Famine Grant, which both improved the revenues to the extent of nearly 2½ millions. This year and the three succeeding years were years of surplus. The years 1889–90 and 1890–91 especially were good years. But it will be presently seen that the surpluses were not due to any increased capacity of the people to pay taxes as the result of prosperity, but were due mainly to temporary causes and to increased taxation. It will be seen from the statement which I have given at the beginning that the aggregate surplus of these four years was Rx. 6,804,000, but against this have to be set off chiefly the additional taxation of Rx. 1,900,000 (imposed in the latter part of the year 1887), which in four years should have yielded about Rx. 7,600,000, and the savings from the Famine Insurance Grant, which amounted to nearly two millions, total Rx. 9,600,000. Rise in exchange was the cause of considerable saving in expenditure, and there was, besides, a contribution from Provincial Governments.

19,863. You make that statement about the savings from the famine insurance, being aware that it is a subject on which there is a grave difference of opinion, and in regard to which your statement about the Rx. 1,500,000 is objected to?—Yes.

19,864. We will not go through the question again, but I only put that before you?—Yes; in the year 1889–90 the surplus was owing "to a temporary improvement" under opium to the extent of Rx. 995,200, to a general growth of revenue amounting to Rx. 766,500, to a short expenditure on special defences and in connexion with the Army by Rx. 344,500, to reduction in the interest charge by Rx. 230,900, to improvement in the railway revenue account, which with other heads yielded Rx. 289,800, and to a rise in the rate of exchange which favourably affected the revenue by Rx. 200,000. There was also a special contribution of Rx. 490,000 from Provincial Governments (*see* Financial Statement for 1890–91, paragraph 9). The surplus of 1890–91, namely, Rx. 3,688,000, was the largest ever realised during the last 46 years. But with regard to the causes that contributed to this surplus, the following remarks of the Finance Minister are worth consideration: "Of the increases in civil revenue, some "represent a growth of revenue which will, in all "probability be permanent; but a portion of the "increase under salt is due to a change in the date of "payment of the duty in Madras, and is merely "temporary, while the increase in mint receipts and "the chief increases in the Home Accounts are due to "special causes and cannot be expected to occur in "future years. The growth of permanent revenue "during the year has been moderate; civil expendi- "ture shows a reduction of Rx. 86,400. There were "savings in expenditure under opium (Rx. 110,000), "in stationery and printing (Rx. 44,000), there was "also a saving of Rx. 65,300 in the cost of police, most "of it in Upper Burma. A remarkable rise in "exchange and short expenditure on special defence "works have caused a great increase in the estimated "surplus of the year. The large surplus of the year "1890–91, as now estimated, does not arise from "causes which can be contemplated with complete

* Between 1884–85 and the budget statement of 1887–88, the total new demands on revenue were Rx. 4,750,000. These demands were met as follows:—Imposition of income tax, Rx. 900,000; other improvements of revenue, Rx. 960,000; resumption of famine grant, Rx. 1,450,000; reduction in outlay on railway construction, Rx. 260,000; diminution in the amount of revenue assigned to the Provincial Governments, causing a reduction of their public works expenditure by Rx. 500,000; absorption of the prescribed surplus, Rx. 500,000.

" satisfaction. The rise in exchange has already been " lost to a very great extent; the fall in the price " of opium continues, and the receipts under XXIV., " Exchange, will diminish still further, as the total " transactions from which they arise are reduced in " amount, and the short expenditure under special " defences is a postponement of the burden and not a " real saving." The year 1891-92 was one of a nominal surplus of Rx. 467,000. It swallowed up the improvements in the revenue of the two previous years, improvements due, it must be remembered, to a rise in exchange, to short expenditure for military purposes, and to reductions in famine grants, besides the proceeds of the additional taxation. This year the expenditure on military works and special defences and on famine insurance was restored to the normal standard. In the following remarks the Finance Minister explains how the improvements of 1889-90 and 1890-91 were swallowed up by increased expenditure in 1891-92, which brought the period of so-called financial prosperity to a close. "During these two " years (1889-90 and 1890-91) there was an improve- " ment of Rx. 2,628,200 in the Revenue, and there " was reduction of the charge for ordinary debt and " of the charge for exchange. These two improve- " ments yielded a total gain of Rx. 3,102,200. But in " the succeeding year (1891-92) special causes absorbed " nearly the whole of this gain. In the first place I " may mention that the cessation of the special " contribution from Provincial Governments absorbed " Rx. 490,000 of the improvement. The reduction " in net opium revenue absorbed a further sum of " Rx. 576,900. The falling off in receipts under " XXIV., Exchange, accounts for Rx. 485,900. The " restoration of the famine grant has taken Rx. 950,000. " Under military expenditure of all kinds (army, " military works, and special defences) there is an " increase of 621,600*l.* in England, and only a decrease " of Rx. 610,200 in India, of which Rx. 300,000 is due " to the effect of exchange on the pay of British troops. " There is also a special charge in 1891-92 of " Rx. 188,000 on account of the census. In this way " the whole improvement of Rx. 3,102,000 is practically " accounted for." 1892-93 and 1893-94 were years of deficit. The exchange was rapidly falling and caused an addition to the expenditure of Rx. 4,142,400. This was the period when the Government tried to solve the currency question of India, and granted compensation allowance to its European employés. To meet the new demands Government had recourse to fresh loans. The measure which was expected to effect a permanent restoration of equilibrium was delayed till the end of the year 1893, in view of the decision of the Home authorities regarding the currency question. On March 10th, 1894, that is, at the end of the financial year 1893-94, a Bill was passed for the re-imposition of import duties. In December of the same year the cotton duties were revived. The deficit in 1892-93 was Rx. 833,412. This deficit would have been greater but for the contributions to the extent of Rx. 466,000 from Provincial Governments on a fresh revision of the provincial contracts. In this year, as well as in the previous year, the famine insurance grant was to the full extent of Rx. 1,500,000. Other causes that improved the revenues were an improvement under interest owing to Government not having borrowed in India for some years, and to investment in Government securities, of a larger amount of the paper currency reserve. The year 1833-4 was one of greatest depression. The rapid fall in Exchange had landed the Government in a state of the utmost despondency. The Government had to find money to cover an estimated deficit of Rx. 1,595,000 in the Imperial Account, and of Rx. 751,300 in the Provincial and Local Accounts. It had also to find Rx. 3,550,000 for expenditure on railways and canals, not charged against revenue, and to provide funds for loans to local bodies, &c. to the extent of Rx. 327,900. It had also to meet the payments by the Secretary of State to the extent of 1,889,100*l.*, amounting at the exchange of 1s. 2$\frac{3}{4}$*d.* to Rx. 3,070,400, of which about one-half only was to be recovered in India from the remitters. To do all these a loan of Rx. 3,000,000 was to be raised in India. The cash balance of Rx. 15,204,200 with which the financial year was expected to open was to be reduced by Rx. 2,561,100. These amounts were to be used for public works, for the Secretary of State's bills, and for other ordinary wants of Government. The large net deposits in the Government savings banks, the repayment by the Bombay Port Trust of a loan of Rx. 616,000, and the payment by the Rampore State of the balance of Rx. 220,000 of the amount that that State had been paying for the construction of the Moradabad-Rampore Railway, these were utilised to strengthen the Ways and Means. There were also noteworthy decreases of expenditure in the year 1893-4, under interest Rx. 233,200, under construction of railways Rx. 118,200, under special defences Rx. 18,600, under miscellaneous civil charges Rx. 32,400, total Rx. 411,100. In the year 1894-95 the surplus was nominal, being only Rx. 693,110. This surplus was reached by the combined product of the tariff legislation of March 1894 and of December of the same year, which amounted to Rx. 1,490,700, being the difference between the old and the new tariff duties, or nearly two millions; by a reduction of Rx. 500,000 in the Famine Insurance Grant, and by contribution from Provincial Governments to the extent of Rx. 405,000, and by the reduction of expenditure to the extent of a million. In regard to the last, the Finance Minister says: "It may be " mentioned that very strict economy has been insisted " on in other expenditure also, and that the grants " under many other heads than those mentioned in " the two preceding paragraphs would have been " larger had it not been for the efforts made to reduce " the deficit in the Estimates. In fact the difficulties " of the position have for the last year or two obliged " the Government to take every feasible measure to " reduce or restrict its current expenditure." Yet in the face of this necessity compensation allowances to the extent of Rx. 1,113,300 were granted, and the Waziri Expedition was undertaken which cost the Government that year Rx. 195,000 and something more in the succeeding year. The year 1895-96 shows a surplus of Rx. 1,533,998. This surplus was arrived at by saving of interest to the extent of Rx. 524,800, owing to the conversion of the rupee debt from 4$\frac{1}{2}$ to 3$\frac{1}{2}$ per cent., by an improvement in Customs duties to the extent of Rx. 1,882,900, by the Famine Grant being limited to Rx. 1,000,000, and by an increase in land revenue, among others, partly due to suspensions carried forward from the previous year, and partly to increased assessments on revision of settlements. This year the Chitral Expedition cost Rx. 1,749,700 plus 16,000*l.*, besides political expenditure which comes to Rx. 20,000 (Financial Statement, para. 11). Exchange compensation was estimated to cost Rx. 1,456,500. In the years 1896-97 and 1897-98 a deficit has been estimated for, chiefly on account of famine expenditure, though exchange has improved. The improvement under exchange, according to the estimates of 1896-97 and 1897-98, amounts in the two years to nearly Rx. 4,000,000; and the same cause gave the Government in the years 1889-90 and 1890-91 an improvement of over two millions. Still the Government has not been able to remit taxation to any extent. If the fall in Exchange has been the sole cause of all our financial difficulties, it is but reasonable to expect that, when the Exchange improves, there would be a proportionate relaxation of the pressure, ending in the taxpayers' burden being lightened. It may be urged that the famine renders all remission of taxation out of the question at the present moment. But this is exactly our complaint. The Government is content to live always from hand to mouth; work up the expenditure to the last pie of its revenues, and leave itself no margin in ordinary years which may be utilised in times of unusual or unexpected difficulties. Famine is not an occurrence which the Government cannot foresee. In fact, successive Finance Ministers have referred to it as a contingency which might face the Government at any time. Yet, when it actually comes, Government has recourse to borrowing as the only source of help available. In fact the policy of 1877, that of providing a famine insurance fund from special taxation for that exclusive purpose, has borne no practical fruit. If that policy had not been adopted, there would have been an addition of about 12 millions to the debt for purposes of protection against famine, but by the side of a total indebtedness of over 220,000,000 this would be a trifle. But at the same time the people have paid more than 25 millions in the name of insurance against famine. They would have been distinct gainers if there had been no famine insurance fund.

19,865. How do you mean they would have been gainers if there had been no Famine Insurance Fund?—Because for their benefit only 12,000,000 have been spent, as I calculate, as against 25,000,000 they have paid.

19,866. That is to say, you are arguing against a Famine Insurance Fund now?—I am not arguing

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against it, but I am arguing against the policy of the application of that fund.

19 867. Because that would rather mean that the 1,500,000 a year of which you have spoken was excessive, and that the Government were perfectly right in not spending so much upon it?—*Not* exactly.

19,868. Is not that the case, if you say that the sum which is set apart by the Government has been in excess of that by which the public have been benefited? Surely that would lead you to the conclusion that the 1,500,000 was in excess of what was needed?—But it would not have been so, if the policy had been different, if the money raised on account of famine insurance grant had been properly applied, that is, had been applied in the manner in which it was intended; in which the public was given to understand that it would be applied.

19,869. There is, on that point, a complete issue on a question of fact, which has been put to you several times on the authority of the men who brought in the scheme, confirmed by various other statements. Further than that, it has been shown to you, and you have not up to the present rebutted the statement, that the extra taxation was not 1,500,000, but a million. (I admit your reservation, that there may have been some increase in elasticity.) In such circumstances, it is hardly worth while pursuing the argument. Perhaps I might suggest to you, that you have not given any reason at present for saying that the taxation put on exceeded Rx. 1,000,000?—I will only add, my Lord, that, even if the proceeds of the special taxation were not more than a million a year, I think my contention holds good; in fact the original policy of the 1,500,000 has been a failure.

19,870. I do not understand in what sense, as over a million a year has been set aside according to your own figures. I think you showed that 17½ millions had been spent?—Yes.

19,871. And spent within something less, I think, than 17 years—15 years. Therefore, the extra taxation, whatever it was, has been entirely applied for famine purposes. Therefore, so far, everything that has been raised from the people for famine, has been applied to famine. Do you go further and say that it has been badly applied, and, therefore, that there has been loss to the public?—No, but supposing this special tax did not yield more than a million, and they had spent about 17 millions in 15 years, but the fact remains that these 17 millions includes the direct expenditure on famine relief by small amounts in different years. If the 17 millions had not been created, anyhow the small expenditure on famine relief would have been incurred by Government from current revenues, and they would only have been driven to the borrowing of 12,000,000 for protective railways and the avoidance of debt. To that extent the taxpayers would have been gainers, not including the amount spent on famine relief, because anyhow the Government would have spent it; therefore, if you take only the expenditure on famine protective railways, and the expenditure for the avoidance of debt, I think the amount they have paid is in excess of the amount which has been spent.

19,872. One question upon that; you have gone year by year through the different causes which have led up to these surpluses and deficits; is there any conclusion from them which you wish to impress upon us?—The conclusion which I wish to impress upon the Commission is that the financial position of India requires careful strengthening by moderating the expenditure, and by increasing the margin the Government has in ordinary years in order to utilise it in times of difficulty; that is the conclusion I want to impress upon the Commission.

(*Mr. Naoroji.*) I wanted to understand whether it was said that there were 300 Europeans only in the Uncovenanted Civil Service besides the 1,000 in the Covenanted Civil Service.

(*Chairman.*) I was asking whether that is the case.

(*Mr. Naoroji.*) I have got the figures here.

(*Chairman.*) Perhaps you would give them.

(*Mr. Naoroji.*) I have got the Civil Department altogether.

(*Chairman.*) What I wanted to get at is this. I began by asking the number of what I call the Governing Body of India, that is to say, the Covenanted Civil Service.

(*Mr. Naoroji.*) That is stated to be 1,000.

(*Chairman.*) I also wanted to understand whether there was not another body of people who were under specific agreement with Government, called the Uncovenanted Civil Service. I was under the impression that that was 300.

(*Mr. Naoroji.*) No, it is a very large number. The Uncovenanted Civil Service is a very large number.

(*Chairman.*) I put out of consideration all men employed on the railways as engineers, but, if there is any difficulty about my question, I might confine it to the Civil Service.

(*Mr. Naoroji.*) Leaving out the civil or military Public Works and the Military, I find there are altogether 4,128 Europeans and 1,576 Eurasians, earning 1,000 rupees per annum and upwards, and, if we take the 1,000 Europeans of the Civil Servants, which is rather less than that, there still remains 3,000 Europeans of what are actually called the Uncovenanted Civil Service, instead of 300.

(*Chairman.*) Do you include the Post Office and Customs?

(*Mr. Naoroji.*) The whole Civil Department.

(*Chairman*) And the railways?

(*Mr. Naoroji.*) No, not the railways, only the Civil Department; neither the railways nor the military department nor the public works; only what is strictly the Civil Department, the Civil Service; so that the hundreds and thousands that Sir Henry Brackenbury spoke of is very much justified when you take the whole of the Europeans employed and earning their livelihood there to the deprivation of Indians.

(*Chairman.*) I particularly said that Sir Henry Brackenbury is perfectly justified to the letter, because there were more than 100 employed, and there were more than 1,000, and therefore you would be justified in saying hundreds and thousands; but supposing there had been 2,000 men in one service and 200 men in another, there would be hundreds and thousands; but it does not quite express what you generally mean by hundreds and thousands.

(*Mr. Naoroji.*) Of course, when he said that, he meant, besides the Civil Department, the whole of the European military service, also the public works, and all the unofficial merchants, manufacturers, artizans, planters, and other Europeans who go out to India and find a living there as traders, so that it is a very strong argument. There is also the money drain consideration, which is very large, and economically crushing or bleeding.

(*Chairman.*) We thank you, Mr. Iyer, for the evidence you have given.

The witness withdrew.

(Adjourned.)

At the India Office, S.W.

FORTY-EIGHTH DAY.

Wednesday, 21st July 1897.

PRESENT:

THE LORD WELBY, G.C.B. (CHAIRMAN) PRESIDING.

The Rt. Hon. W. L. JACKSON, M.P.
Sir WILLIAM WEDDERBURN, Bart., M.P.
Field-Marshal Sir DONALD STEWART, G.C.B., G.C.S.I.
Sir RALPH KNOX, K.C.B.
Sir JAMES PEILE, K.C.S.I.
Sir ANDREW SCOBLE, K.C.S.I., Q.C., M.P.

Mr. G. L. RYDER, C.B.
Mr. T. R. BUCHANAN, M.P.
Mr. W. S. CAINE.
Mr. DADABHAI NAOROJI.
Mr. R. G. C. MOWBRAY.
Mr. COLIN G. CAMPBELL, *Secretary*.

Mr. STEPHEN JACOB, C.S.I., recalled and further examined.

Mr. Stephen Jacob, C.S.I.

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19,873. (*Chairman.*) Mr. Jacob, I think the points upon which the Indian Government desire through you to give some supplementary information to the Commission are, first of all, the provincial assignment question, and next, the question of the admission of natives to the higher employment in India?—Yes, that is so.

19,874. I propose, in the first instance, to put to you some questions on the subject of provincial expenditure?—Yes.

19,875. You have been good enough to draw up a couple of memoranda upon the subject, which the Commission have seen, have they not?—I believe so.

19,876. We have received evidence intended to show that the provincial contract system has not succeeded, to say the least, so well as had been anticipated, inasmuch as the Provincial Governments did not get their fair share on the periodical revision of the contracts, and that legitimate provincial expenditure is, in consequence, starved. How does the Central Government of India meet that statement?—An appeal may be made to the actual figures of provincial expenditure for the past 20 years, which show what the rate of progress in that expenditure has been. And this appeal may be made either to the figures of the expenditure of all the Provincial Governments taken together, or to the figures for individual provinces, such, for instance, as Madras, Bombay, and Bengal to which the Indian gentlemen delegated to give evidence before the Commission have specially drawn attention.

19,877. Let us first take the expenditure of all the Provincial Governments together?—The following table shows for each year from 1877–78 to 1896–97 the net provincial and local expenditure of all the provinces taken together, other than that included under the railway revenue and irrigation accounts. From 1877–78 to 1881–82 I also exclude the charges for military works in Burma, and for the ecclesiastical department in Bombay, which were then provincialized, but have ever since been Imperial. Provincial expenditure, I may explain, cannot properly be considered alone. The two branches, provincial and local, are not separated on the same lines in all provinces; in all they are more or less mixed up, and transfers are frequently made from one to the other. I have given in the Table the average for each contract. The figures in the Table represent thousands of Rx. Thus 8,573 means Rx 8,573,000. The Table A., which I also put in, reconciles my figures with those given in Table XXI. (p. 72 of Vol. II. of the Commission's first Report), and I do not propose, therefore, to point out in detail the causes of their disagreement with those given by other witnesses.

*TABLE of PROVINCIAL and LOCAL NET EXPENDITURE for all PROVINCES, 1877–78 to 1896–97.

Year.	Thousands of Rx.		
	Total Net Expenditure.	Total for Quinquennial Period.	Yearly Average for Quinquennial Period.
1877–78	8,573		
1878–79	9,205		
1879–80	8,832	45,712	9,142
1880–81	9,140		
1881–82	9,952		
1882–83	11,620		
1883–84	11,262		
1884–85	11,660	57,686	11,537
1885–86	11,311		
1886–87	11,833		
1887–88	11,549		
1888–89	11,775		
1889–90	12,138	61,365	12,273
1890–91	12,545		
1891–92	13,358		
1892–93	13,351		
1893–94	13,416		
1894–95	13,545	68,977	13,795
1895–96	13,865		
1896–97	14,800		

19,878. You exclude, I observe, the railway revenue and irrigation accounts; why do you do so?—Because they are commercial services, which are of an entirely different nature from the ordinary Government expenditure, and are administered on different principles. Also they have been treated in varying methods in the different provinces, and under the several periodical arrangements.

19,879–80. Can you fairly compare the figures of one quinquennial period with those of another?—There have been some variations in the contracts, but generally they are so slight that they do not materially affect the comparison of the figures of one contract with those of another. The exception is in the case of the first contract, on the close of which superannuations (previously provincialised in three provinces only) and medical establishments were provincialized; and Madras, which had till then been working under the generally superseded system of 1871, was brought

* *See* Appendix No. 80.

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into line with the other provinces. These changes necessitate an adjustment of about Rx. 830,000 in comparing the results for the first contract with those of the later contracts.

19,881. But, on the whole, in Madras you prefer merely to compare the three quinquenniums, whereas in Bombay and Bengal you compare the four, do you not?—Yes, in comparing the individual provinces I have done that, but in taking the provincial expenditure as a whole, I have thought it right to make the adjustment just mentioned so that we may go back 20 years.

19,882. You have taken the four quinquennial periods and compared them: can you tell us the average population of British India in each of these quinquennial periods?—Roughly speaking, the average population for each quinquennium may be taken as follows (excluding Upper Burma and Beloochistan, which were annexed during this period, and whose expenditure is not provincial):—

1877-78 to 1881-82	198,000,000
1882-83 to 1886-87	205,000,000
1887-88 to 1891-92	214,000,000
1892-93 to 1896-97	225,000,000

19,883. That is an increase of about 12 per cent., is it not, on the fourth compared with the first period?—Rather more than 12 per cent.

19,884-5. A little over 12 per cent.?—Yes, between 13 and 14 per cent.

19,886. Perhaps you will give the provincial expenditure?—Allowing for the adjustment I have mentioned, the following Table shows the increase for each contract over the last:—

Period.	Average Yearly Expenditure.	Increase over previous period.	Increase over first period.
1877-78—1881-82	9,972	—	—
1882-83—1886-87	11,537	1,565	1,565
1887-88—1891-92	12,273	736	2,301
1892-93—1896-97	13,795	1,522	3,823

Thus the scale of provincial and local expenditure has increased in three quinquennial periods by more than 38 per cent., and if we compare the first year (1877-78) with the last normal year (1895-96—the following year, 1896-97 being a famine year) the increase amounts to 48 per cent.

19,887. Can you now give us what the Imperial expenditure was in those quinquenniums?—The Imperial net expenditure for each quinquennium was as follows:—

Year.	Thousands of Rx.				
	Imperial Net Expenditure.	Exchange included in column 2.			Imperial Net Expenditure, excluding Exchange.
		On English Charges.	On British Soldiers' Pay.	Total.	
1877-78	33,206	1,368	—	1,368	31,838
1878-79	29,184	1,843	—	1,843	27,341
1879-80	34,993	1,862	—	1,862	33,131
1880-81	37,363	1,284	—	1,284	36,079
1881-82	29,201	1,373	—	1,373	27,828
Total -	163,947	7,730	—	7,730	156,217
Average -	32,789	1,546	—	1,546	31,243
1882-83	29,109	1,874	—	1,874	27,235
1883-84	29,709	2,216	46	2,262	27,447
1884-85	28,571	2,111	184	2,295	26,276
1885-86	31,826	2,611	224	2,835	28,991
1886-87	30,735	3,241	276	3,517	27,218
Total -	149,950	12,053	730	12,783	137,167
Average -	29,990	2,411	146	2,557	27,433
1887-88	32,502	3,967	437	4,404	28,098
1888-89	31,513	4,087	517	4,604	26,909
1889-90	32,206	3,907	632	4,539	27,667
1890-91	32,188	3,023	587	3,610	28,578
1891-92	35,536	4,251	407	4,658	30,878
Total -	163,945	19,235	2,580	21,815	142,130
Average -	32,789	3,847	516	4,363	28,426
1892-93	37,038	6,094	612	6,706	30,332
1893-94	36,839	6,242	852	7,094	29,745
1894-95	37,530	7,926	1,134	9,060	28,470
1895-96	38,015	7,129	1,156	8,285	29,730
1896-97 Revised	36,883	6,264	1,103	7,367	29,516
Total -	186,305	33,655	4,857	38,512	147,793
Average -	37,261	6,731	971	7,702	29,559

19,888. Excluding exchange, the Imperial expenditure during that time has fallen from 31¼ millions to a little over 29½ millions?—Yes, but the figures of the first quinquennium are vitiated for comparison with subsequent years, owing to the inclusion of special famine charges, and of the Afghan military operations.

19,889. Then, on the whole, would you prefer to take the second quinquennium as the basis for comparison?—Yes, I think that would show the more normal increase.

19,890. And, in that case, the increase has been from Rx. 27,433,000 to Rx. 29,559,000, has it not?—Yes.

19,891. Being an increase of a little over two million Rx.?—Yes, two million Rx.

19,892. That would be under 8 per cent., would it not?—Yes, it is 7·7 per cent. exactly.

19,893. As against an increase on the provincial expenditure of 38 per cent. which I think you put for the whole period, did you not?—Yes, but for this period——.

19,894. If you take the second quinquennium as your basis, as you did in the case of the Imperial expenditure, what would it be?—It is about 20 per cent.—19·6 per cent. exactly.

19,895. (*Sir Andrew Scoble.*) But during that period the provinces have remained subject to practically the same duties, whereas the duties of the Empire have been increased by the addition of Beloochistan and Burma?—Yes, that is so.

19,896. (*Chairman.*) Therefore you would state, as the result of the provincial contract system, that over three quinquenniums the increased assignments to the provinces are represented by 20 per cent., while the increase of the Imperial expenditure has been, we will call it, 8 per cent.?—That is the Imperial expenditure apart from exchange.

19,897. Apart from exchange?—Yes.

19,898. Exchange enters for a very small sum into the provincial expenditure, does it not?—Yes, to a very small extent. I may say that in the exchange here I have not included exchange compensation.

19,899. I was about to ask you if the exchange compensation allowance is not included?—No, I have merely included the exchange on English charges and on the British soldiers' pay, which is a thing over which the Indian Government has no control whatever. The exchange compensation does enter into the provincial account to proportionately very nearly the same extent as it enters into the Imperial account.

19,900. Do you know the sum to which it amounts?—Yes, I can give you the figures. The exchange compensation only occurs in the last quinquennium.

It accounts for an increase of Rx. 463,000 under Imperial, and of Rx. 234,000 under provincial. That is very much the proportion of the provincial and the Imperial expenditure.

19,901. You may say, perhaps, that, excluding the compensation allowance, the average for the last quinquennium of provincial expenditure would be a little over 13½ millions, would it not?—Yes.

19,902. And you would argue upon these results that it is not correct to say that the provincial services have been starved under the contract system?—Yes, that would be my argument. As far as the resources of the Government have been available, I would submit that these figures indicate that the Provincial Governments have had their full share of them.

19,903. Now, in the revenue which was raised to enable the Imperial Government to discharge this last quinquennial liability of Rx. 37,261,000 (including exchange) is included a certain amount of revenue due to increased taxation, is it not?—Yes.

19,904. That increased taxation was put on simply to meet the Imperial charges, was it not?—Yes.

19,905. And therefore, so far, the provinces would not be entitled to any share of that?—Yes, that is so.

19,906. And, if we were to compare that amount of revenue, in which the provinces may fairly claim a share, that is to say, if we were to deduct from the Imperial revenue that amount of extra taxation which has been imposed solely for Imperial purposes, we should have an increase on the part of Imperial revenue decidedly less than this 8 per cent.; would not that be the result?—Yes, that would be so.

19,907. In fact, you and the Indian witnesses agree very nearly in putting the increase of taxation for those special purposes at a little over two millions per year—22,000,000 on the decade, is it not? Without going into details, it would, in all probability, mean, would it not, that the Imperial share had not risen at all, if you put aside this special taxation?—Yes, that would be, broadly, the result.

19,908. While the provincial shares have increased in this ratio of very nearly 20 per cent.?—Yes.

19,909. Do you think that these increases, which we will call 20 per cent. in 10 years, satisfy the fair requirements of Provincial Governments?—I think it satisfies their fair requirements, so far as the resources of the Government of India enable them to meet those requirements. No one who has any acquaintance with India would deny that there are in every province most valuable projects which might be undertaken if the funds for carrying them out were available, but the question every time for consideration is to what extent we can meet those requirements, keeping in view existing resources, or the necessity for increased taxation.

19,910. May I put it to you thus: If there had been no increased charge for exchange and no increase in army expenditure, there would have been a considerable surplus?—Yes, that is so.

19,911. Do you think that the Indian Government would in that case have increased the provincial assignments, or would they have preferred to reduce taxation?—I suppose that they would probably have done both of those things. They would probably have to some extent reduced taxation, and would also have allowed some further expenditure on internal improvements.

19,912. That is to say, you do not bind yourself down to saying that the Indian Government hold that the 20 per cent., though you consider that it is a fair share to give to the province out of the revenue available, fully meets even what we may call the legitimate demand of the province?—No, I should not profess to say that at all.

19,913. (*Sir Andrew Scoble.*) Take the case of the salt tax, for instance, that was raised in 1887–88 or in 1888–89?—In 1888.

19,914. Has it not always been, so far as you are aware, a laudable object of the Government of India to reduce the salt tax back again at least to what it was in 1888?—Yes, I should say that it had that object constantly before it.

19,915. (*Chairman.*) Now take Bombay; how are your totals there made up?—The figures given in the Table B., which I put in,* give full details of the expenditure in each year from 1877–78 to 1896–97, and the average yearly expenditure for each quinquennial period, for all the Civil Departments (the principal departments in detail), for miscellaneous, and for public works; in fact, they include the whole of the provincial and local charges, except—

(1.) Direct demands on the revenue, which are usually taken as deductions from the principal revenue heads.
(2.) Commercial services (Post Office, Railway Revenue, and Irrigation accounts).
(3.) Ecclesiastical, political, and interest which have been provincial during a part only of the period covered by the table.

19,916–7. In regard to the direct charges, are those appropriations to Native States and pensions to Princes, or what are they?—They are the charges for the collection of the revenue, assignments from the revenue, and refunds.

19,918. What do you call assignments from the revenue?—Assignments under agreements made with the object of increasing, either directly or indirectly, the revenue. For instance, when we took over the salt tracts in Central India we agreed to make certain yearly payments to the Native State Governments which made over those salt tracts to us.

19,919. In reality those payments are collection charges?—Yes.

19,920. They would come under that general head?—Yes.

19,920A. Perhaps you would mention to us the most important figures in your table?—From that table I will read to the Commission the figures for the opening and closing years, and the average for each quinquennial period. I also give the percentage of increase between 1877–78 and 1896–97.

* *See* Appendix No. 81.

Thousands of Rx.

Year or Period.	Civil Departments.								Miscellaneous.	Public Works (including Railway Construction and in one year Famine Relief).	Grand Total.
	General Administration.	Law and Justice (Courts).	Law and Justice (Jails).	Police.	Education.	Medical.	Other.	Total.			
1877–78 - -	125	445	117	439	210	134	27	1,497	196	293	1,986
Average:—											
1877–78—1881–82	123	438	103	414	211	132	27	1,448	188	429	2,065
1882–83—1886–87	128	444	65	482	267	141	37	1,564	217	605	2,386
1887–88—1891–92	137	437	61	530	304	145	26	1,640	239	636	2,515
1892–93—1896–97	148	454	66	569	334	173	28	1,772	279	652	2,703
1896–97 - - -	154	457	69	613	345	188	29	1,855	299	729	2,883
Percentage of increase:—											
Last year over first year.	23·2	2·7	41·	—39·6	64·3	40·3	7·4	23·9	52·6	148·3	45·2
Last quinquennium over first quinquennium.	20·3	3·6	35·9	—37·4	58·3	31·1	3·7	22·4	48·4	52·	30·9

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19,921. What does that head "other" under the "Civil Departments" comprehend; it is not a very large one, I think?—No, it merely includes one or two departments which I did not think it necessary to specify in detail; they are the Marine and Scientific and minor Departments.

19,922. Then there is rather a large head outside the Civil Departments called "Miscellaneous." What does that consist of?—That consists of superannuation charges, stationery and printing charges, and the charges included under the major head of Miscellaneous, the nature of which I explained before to the Commission at a previous examination.

19,923. You do not bring superannuation under the Civil Departments?—No.

19,924. Is it not a charge on the Civil Department?—Yes, it appertains to the Civil and to the Public Works Departments; it includes all the departments except the Military. It is always taken under the subdivision of Miscellaneous in the accounts.

19,925. Well, what is the increase of the fourth quinquennium over the first?—The total increase of the last quinquennium over the first quinquennium is 31 per cent—Rx. 2,065,000 to Rx. 2,703,000. Then in each department almost there has been an increase; 20·3 per cent. under general administration, 3·6 per cent. under law and justice (courts), 37·4 per cent. under police, 58·3 per cent. under education, 31·1 per cent. under medical, 3·7 per cent. under other heads. There has been an increase in expenditure on gaols of 35·9 per cent. The total increase under civil departments is 22·4 per cent. In miscellaneous the increase is 48·4 per cent., and in public works 52 per cent.

19,926. Now, taking that very large heading of the civil departments, I see the percentage of increase on quinquenniums varies very little from the increase by comparison of the first and the last year; is not that the case?—That is the case for the total, but it is not the case for individual departments.

19,927. No, but, on the whole, the comparison of the first and last years varies very little indeed from the comparison of the averages for the quinquenniums?—Yes, for civil departments it does, but, taking the whole expenditure, the percentages are 31 per cent. and 45 per cent.

19,928. But the year 1896-97 includes famine expenditure, does it not?—Yes, but that affects the amount but slightly in Bombay.

19,929. (*Sir Ralph Knox.*) Which of these departments has the heaviest charge for superannuation which is included in Miscellaneous?—I suppose it is understood that these figures include only the superannuation charges in India, not those which are paid in England.

19,930. Oh, they do not include those which are paid in England?—No, they include only the provincial charges; that is, those paid in India. I suppose the Police and Public Works Departments, Land Revenue, and Judicial would account for the greater part of it.

19,931. Then, even taking Law and Justice, there seems to be a very small increase in the effective, but there may be a very heavy increase in the non-effective?—There certainly is a heavy increase in the non-effective.

19,932. And those figures do not include the whole increase? There would be another heavy charge for home payments?—Yes, very large. As regards the small increase in Law and Justice (courts) in Bombay, I have already explained to the Commission the reason for that

19,933. Transfers?—Partly it is due to transfers, partly to a decrease of expenditure in the High Court, and partly to the fact that the standard of expenditure in Bombay was much higher than in the other provinces at the beginning of this period.

19,934. (*Chairman.*) Now, you have given us in your memorandum a table of the provincial expenditure in detail, but on the next page but one, page 4, you give the provincial and local expenditure which amounts in the year 1892–93 to Rx. 2,202,000?—I beg your Lordship's pardon, I am giving there the revenue not the expenditure.

19,935. Oh, not the expenditure. You say the total, for the year 1877–78, of the revenue is Rx. 1,757,000?—Yes.

19,936. While the expenditure in that year is Rx. 1,986,000?—Yes,

19,937. How would the difference between those two sums be met? Out of balances?—Yes. The Provincial Governments constantly spend less in one year and more in another, owing to their either accumulating funds, or spending from their balances.

19,938. Well, then you give the Imperial revenue in Bombay, do you not?—Yes.

19,939. What do you call the Imperial revenue in Bombay? Is it the amount of the duties collected in Bombay which are assigned to the Central Government?—Yes.

19,940. Is there not some misapprehension on that head? Do not the Provincial Governments, as it were, charge the Imperial Government with a large amount of expenditure under this head, which is in reality local expenditure?—Yes.

19,941. I am speaking of such things in Bombay and in Madras as the Army, would you not hold that to be a Bombay or Madras charge rather than an Imperial charge, in the sense in which we are speaking?—Yes, I think so. The Government of India had occasion to draw attention to that point in their correspondence with the Government of Madras regarding the last revision of the settlements; perhaps I might read their remarks to this Commission.

19,942–3. Perhaps you would give us the quotations from that letter, would you?—"The Government of "India are aware that one effect of the system of "provincial finance is to cause that part of the revenue "of each province which is not appropriated to provincial uses—that is, in a general way, spent upon "the local civil administration—to be regarded as in "some way 'contributed to the Imperial fisc.' This "view appears continually in public discussions, but "a view of Indian finance which regards the sums "appropriated to such purposes as (1) the maintenance "of the Madras Army; (2) the payment of leave "allowances and pensions of Madras officers; (3) the "loss upon the Madras railway; (4) the Carnatic and "Tanjore stipends, and other numerous similar charges "as a Madras contribution to the Imperial fisc, is one "so essentially erroneous that the Government of "India take for granted that the Government of "Madras do not use this expression in the sense in "which it is often publicly used, and merely mean to "assert something of the same kind as the Chamber "of Commerce, when it says that 'Madras contributes "more than its fair share towards Imperial revenues.' "With reference to this statement and to the "statement in your letter that the direct outlay incurred by Government in other provinces is proportionately much greater than in Madras, I am to "say that the Government of India not only do not "admit the truth of them, but are not aware that at "any time any attempt ever has been made to establish "them by examination of the facts and figures bearing "upon them."

19,944. That quotation, in fact, shows that a considerable part of what is called Imperial expenditure, inasmuch as it is disbursed by the Imperial authority and on behalf of the Central Government, is in reality provincial expenditure?—Yes, and therefore weakens the force of such comparisons as have been made between the expenditure, on the one hand, of the central Government of the German Empire and the various States which make up that Empire, and, on the other hand, of the Imperial and Provincial expenditure of India.

19,945–6. Now, turning to Madras, you have explained to us that, so far as Madras is concerned, you are only able to compare the three quinquenniums?—Yes.

19,947. (*Mr. Naoroji.*) May I just put one question? Though this army expenditure and other expenditure that was just now mentioned is incurred in Madras, still, however, it is simply a matter of the convenience and the arrangements of the Imperial Government that so much is in Madras or Bombay, or any part of India, is it not? I just want to understand it. It is strictly Imperial expenditure and not provincial expenditure, as far as I can understand?—It depends upon what you define as Imperial expenditure. It is Imperial expenditure in the sense that it is incurred by, and charged against, the Imperial Government directly.

19,948. Yes, and is not this Army expenditure, and other expenditure that was mentioned just now as being more provincial than Imperial, really Imperial expenditure under the control of the Imperial authorities? Is not it for the convenience only of the

arrangements of the Army and for other Imperial purposes that they happen to be in this locality, or in that locality; I only want an explanation?—I do not think it is a matter of convenience, I should rather say that the Army is distributed in the manner that experience has shown to be necessary.

19,949. Necessary for Imperial purposes?—In some cases necessary for the provinces.

19,950. But though it is the necessity of the provinces, still, however, it is under the control of the Imperial Government, and the whole thing is done by the Imperial Government, is it not?—That is admitted; the expenditure is managed by the Imperial Government, and is, therefore, in the Indian sense of the term, Imperial expenditure; but the whole of the expenditure managed by the Imperial Government is not Imperial expenditure in the sense that it is incurred solely for Imperial purposes, as distinguished from the purposes of the individual provinces.

19,951. (*Chairman.*) My question to you, Mr. Jacob, was not intended to suggest that it was not expenditure for which the Imperial Government was responsible; but I wanted to bring out, what I think you have explained to us, that a large portion of this expenditure which is called Imperial really takes place in the province, and, therefore, that should be borne in mind in the contention between the Provincial Government and the Imperial Government?—Yes, that applies especially to such charges as those for superannuation. The whole of the superannuation charge incurred on the Indian accounts in England is an Imperial charge, though it is very largely for provincial establishments.

19,952. Now, in Madras, the increase of provincial expenditure on the Civil Departments considerably exceeds that shown in Bombay, though the Madras figures give only the increase in 15 years. Have you anything to say upon that?—I have drawn up a Table C. for Madras on the same lines as that for Bombay; but including, for the reasons already explained, only three quinquenniums. The following figures summarize the table:—*

* *See* Appendix No. 82.

Year or Period.	Civil Departments.								Miscellaneous.	Public Works (including Famine Relief and Railway Construction).	Grand Total.
	General Administration.	Law and Justice (Courts).	Law and Justice (Gaols).	Police.	Education.	Medical.	Other.	Total.			
1882-83 - -	113	384	90	378	183	153	52	1,353	237	602	2,192
Average:											
1882-83—1886-87	116	390	84	382	190	163	42	1,367	243	631	2,241
1887-88—1891-92	122	414	86	391	213	187	51	1,464	276	694	2,434
1892-93—1896-97	132	459	103	444	275	264	57	1,734	276	761	2,771
1896-97 - -	132	459	100	465	279	271	61	1,767	291	823	2,881
Percentage of increase:											
Last year over first year.	16·8	19·5	11·1	23·0	52·4	77·1	17·3	30·6	22·8	36·7	31·5
Last quinquennium over first quinquennium.	13·8	17·7	22·6	16·2	44·7	62·0	35·7	26·8	13·6	20·6	23·6

The increase is certainly larger in Madras.

19,953. Yes?—But I do not think that it is so much larger as to necessitate much explanation. It is 26·8 per cent. for the whole of the Civil Departments in Madras. I have not calculated it out for the same period for Bombay.

19,954-5. In Bombay it is 22 on the four quinquenniums?—Yes.

19,956. And 26 on the three quinquenniums, in Madras?—Yes, that is of course larger. As regards that, I may say that I have already explained that Madras came under the more extended scheme of provincial finance later than the other Governments. That was, perhaps, its own fault in refusing the extension earlier, but the Government of India certainly treated it more liberally in the agreement of 1882-83 than it treated the other Governments, and principally upon the ground, I think, that it had not received during the previous quinquennium, the increased resources which would have come to it under the extended system.

19,957. Now, both in Bombay and Madras, looking at the table which you give of the revenues of the two provinces, the provincial assignment has increased in a faster ratio than the Imperial revenue, has it not?—Yes, it has.

19,958-9. Perhaps you would give us what the increase has been?—The Bombay figures are as follows:—

Year.	Provincial and Local.		Imperial.		Total.
	Net Revenue in Thousands of Rx.	Percentage of Total.	Net Revenue in Thousands of Rx.	Percentage of Total.	Net Revenue in Thousands of Rx.
1877-78 - -	1,757	22·6	6,006	77·4	7,763
1882-83 - -	1,770	23·5	5,760	76·5	7,530
1887-88 - -	2,126	23·9	6,771	76·1	8,897
1892-93 - -	2,202	23·7	7,100	76·3	9,302

It will be seen that the provincial percentage of the total revenue, provincial and local, has risen from 22·6 in 1877-78, to 23·7 in 1882-83.

19,960. The Imperial percentage, of course, has fallen in the same proportion?—Yes.

19,961. Now, will you come to Madras?—In Madras the figures are as follows:—

Year.	Provincial and Local.		Imperial.		Total.
	Net Revenue in Thousands of Rx.	Percentage of Total.	Net Revenue in Thousands of Rx.	Percentage of Total.	Net Revenue in Thousands of Rx.
1882-83 - -	1,974	27·7	5,161	72·3	7,135
1887-88 - -	2,341	29·9	5,491	70·1	7,832
1892-93 - -	2,578	29·8	6,075	70·2	8,653

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The Provincial pecrentage has risen from 27·7 in 1882–83 to 29·8 in 1892–93, and the Imperial has fallen correspondingly.

19,962. And, so far, the provinces have profited by the contract system, I understand, in a greater degree than the Imperial Government?—Yes, the result of the contract system has been that they have received this great increase in the proportion of their revenue. I think it was the intention of the provincial contract system that they should receive it, and they have received it.

19,963. And so far, I suppose, you would contend that the contract system has not been worked to the benefit of the Imperial partner in the matter?—No, not more than it proportionately should.

19,964. As compared with the provincial?—No, I think not.

19,965. (*Mr. Mowbray.*) Although the increase in the Civil Department is more in Madras than in Bombay (26·8 as against 22·4), in the grand total of the provincial expenditure the percentage of increase in Madras is less than it is in Bombay, 23·6 as against 23·9?—Yes, but the Bombay percentage represents the increase for an extra quinquennium.

19,966–7. That accounts for it, you say?—Yes, partly; but the difference is also partly due to the very large increase in public works expenditure in Bombay. It is a matter entirely in the discretion of the Local Governments, whether they shall apply their revenues to public works or to the improvement of Civil Departments, and, undoubtedly, the Bombay Government has applied a much greater proportion of its increasing revenues to public works than Madras has done.

19,968. That is exactly why I wished to draw your attention to it, because I noticed that the increase of public works in Madras was only 20·6 and the increase in Bombay was 52·6?—Yes, that does partly account for the difference under Civil Departments.

19,969. (*Chairman.*) Now pass on to Bengal?—In Bengal there are four quinquenniums again, and the general result is very much the same as in the case of Bombay and Madras. Making the necessary adjustments in the first year, and in the first quinquennium, on account of certain charges under Law and Justice (Courts), Medical and Superannuations provincialised for the first time in 1882–83, the following figures, abstracted from the Table D.,* which I hand in, show that there has been in the last quinquennium, as compared with the first, an increase in the total provincial and local expenditure of over 24 per cent.

* *See* Appendix No. 83.

Year or Period.	Civil Departments.									Miscellaneous.	Public Works (including Famine Relief and Railway Construction).	Grand Total.
	General Administration.	Law and Justice (Courts).	Law and Justice (Gaols).	Police.	Education.	Medical.	Marine.	Other.	Total.			
1877–78 - -	140	673	165	445	257	174	127	32	2,013	253	554	2,820
Average:												
1877–78—1881–82	150	702	173	413	260	156	114	38	2,006	256	778	3,040
1882–83—1886–87	170	778	169	467	325	142	87	39	2,177	272	792	3,241
1887–88—1891–92	184	818	186	537	354	157	102	35	2,373	292	762	3,427
1892–93—1896–97	202	880	218	620	375	194	90	48	2,627	337	833	3,797
1896–97 - -	206	889	247	647	388	215	88	69	2,729	342	1,125	4,196
Percentage of increase:												
Last year over first year.	47·1	32·1	49·7	45·4	51·0	23·6	−30·7	53·1	35·6	35·2	103·1	48·8
Last quinquennium over first quinquennium.	34·7	25·4	26·0	50·1	44·2	24·4	−21·1	26·3	31·0	31·6	7·1	24·9

19,970. And this increase of what we may call 25 per cent. compares with an increase of 31 per cent. in Bombay, and in Madras, with a smaller number of years as a basis of comparison, 23½ per cent.?—Yes.

19,971. How do you account for the rate of increase being so different in the different provinces?—I think such small differences are unavoidable under the existing provincial system, and would be unavoidable under any system that could be devised; the object of the Government of India at each revision has, however, been to modify the settlements so as to make them equal as far as possible. The tendency during the continuance of one provincial settlement may for various reasons, be to give one province a greater advantage than another, and the whole of the advantage resulting from that tendency cannot be summarily annulled at the end of the contract, but the Government of India has in the revision always taken into consideration the advance that has been made by a province during the term of the last contract. The case of Bengal is a very good illustration of that. It will be seen that a very large portion of the advantage in Bengal accrued in the first quinquennial period. The result has been that in the later quinquennial periods Bengal has not advanced so fast as the other provinces have, and this result has been intentionally brought about.

19,972. Might I describe the object of the Government of India as being not so much uniformity, but to give the different provinces equality of advantage?—Yes, I think so; I think that would express the intention of the Government of India.

19,973. I should like to ask a few questions as to the details of provincial expenditure. Now, education in Bombay shows an increase of 58 per cent. in the four periods, in Madras nearly 45 per cent., there being only three periods on which the comparison is based, and in Bengal 44 on the four periods. This increase is very large, but is not the complaint of the native witnesses rather that the sum set aside for education is too small in itself?—They certainly did advance that as one of the grounds of complaint, but the impression that I derived from their evidence was that the chief objection taken by them was based rather upon a comparison of the increase in provincial expenditure with the increase in the Imperial expenditure. A great part of their evidence was devoted to showing that the Imperial expenditure had increased at as large a rate as, or at a larger rate than, the provincial expenditure, and, as far as that is concerned, I submit that the figures do not bear out their contention.

19,974. Quite so, but the conclusion to which your figures point is that the increase on education has probably been as great in proportion, if not greater, than that on any other head of service?—Yes, I think so.

19,975. But do you not think that their criticism was upon the fact that the total sum set aside for education in the Empire was, at the starting point, so very

small?—It is undoubtedly the case that under education, as well as under many other heads, the expenditure is, from one point of view, small, and might be increased with advantage, if unlimited funds were available; but that seems to me to be hardly a practical question. Perhaps I might read an extract from a letter of the Government of India to the Government of Bengal, which will acquaint the Commission with the Government of India's views upon that point.

19,976-7. Yes?—They say: "The Government of India "have no doubt that in Bengal, as in other provinces, "there are very many projects of expenditure which "are pressing themselves upon the responsible "Administration, and against which, as suitable and "desirable in themselves, the Government of India "have absolutely no objection to raise. But the sum "of this desirable expenditure, taken all over India, is "so vastly in excess of any possible means of meeting "it, and of the amounts which the taxpayer of India "can fairly or reasonably be required to make good, "that the Government of India are repeatedly obliged "to refuse to meet the demands of local governments "and of departments, not because they in any way call "in question the advisability of the proposals of expenditure laid before them, but because they do not "consider it consistent with sound policy to admit "them for the present as burdens upon the public "treasury." And again, in the same letter, they say, with reference to the principles and practice of the Provincial system:—"In your present letter "these principles and practice are set aside, not "only in matters of detail, but even in their broad "and general aspect. Under the head of Education, "the Provincial Government demands an assignment of Rs. 3,24,000 more than was proposed "by the Government of India; under Medical, of "Rs. 1,00,000 more; under Civil Works, of "Rs. 14,60,000 more; and under the general description of 'Undistributed,' Rs. 3,50,000 more; under "Contributions to Local Funds, of Rs. 4,15,000 more; "total, Rs. 26,49,000, mainly because it considers it "desirable that the scale of Provincial expenditure "should be in the future increased beyond its present "standard by these amounts. As to whether the "proposed expenditure is desirable or not, the "Government of India, as above explained, express "no opinion; they merely say that the settlement of "the Provincial allotment of revenue is not the matter "in connection with which the question can be "discussed. But it is surely an inversion of the "whole principle and history of Provincial finance "that one of the wealthiest provinces of India, after "enjoying for five years an assignment of revenue "which not only met all its current demands, but left "a large and increasing balance to the good, suddenly "discovers that this ample revenue requires to be "largely supplemented, and makes a demand for an "addition of 15 or 20 lakhs of rupees (the precise "amount depends upon the estimate of railway "earnings) to be made up from the common purse—"that is, by the taxpayer outside Bengal as well as "within Bengal—at the very moment when that "common purse is being strained to the utmost to "meet the demands of a dire calamity, and is called "upon to furnish many tens of lakhs of rupees to feed "the famine-stricken peasants within the area of "Bengal itself. The Government of India can only "say that the present is not a time when these "demands can be entertained."

19,978. That is a perfectly intelligible statement of the case of the Imperial Government, namely, that they have only a certain sum available for all the services of India, and that that sum in all probability is not sufficient to meet what may be called the legitimate demands of the provinces; but I wanted to elicit your view upon what I take to be the criticism of the native witnesses, namely, that the whole expenditure on education in India is very much too small. I think there can be very little question upon the point to which you have called attention, namely, that there has been a very large increase, proportional increase, on education within these 20 years, but that would not touch the question whether the initial sum upon which that percentage is based was not comparatively insignificant. For example, Rx. 210,000 in Bombay was the initial expenditure on education?—Yes.

19,979. Rx. 183,000 in Madras and Rx. 257,000 in Bengal. Now, I take it the critics say that that Rx. 650,000 was a totally insufficient sum to be devoted to education?—The Government of India, in the extract which I have read, say that they do not profess that the scale of expenditure is in every case adequate, but they think that the actual distribution must be judged with reference to the total resources of the Government of India; if, then, the expenditure on education is to be increased, it merely means either that the expenditure on some other Department must be decreased, or that there must be additional taxation.

19,980. (*Sir Andrew Scoble.*) I see, Mr. Jacob, that in one of your tables (Table A.)* you show that the expenditure on education in India has gone up from Rx. 939,000 in 1882-83 to Rx. 1,303,000 in 1896-97?—Yes.

19,981. And that shows an increase during that period of Rx. 364,000 and the percentage of that increase is 39?—Yes, that is so.

19,982. So that that would seem to show that the claims of education had not been in any way neglected by the various Governments throughout India?—That is the argument which I wish to submit to the Commission. As to whether the starting point was adequate or not, I do not suppose anybody would say that it was absolutely adequate; but I think, keeping in view the available resources, that the additional assignments which have been made for education show that the Local Governments have appreciated the necessity of increasing that expenditure wherever they could.

19,983. As far as their means permitted?—As far as their means permitted.

19,984. (*Sir James Peile.*) I suppose the initial expenditure on education would depend on what the British Government found at the beginning of its rule in India?—Yes, and if we go back to an earlier period than that comprised in these tables, the increase has been something tremendous. The expenditure on education in 1856-57 was only Rx. 212,000; in 1895-96 it had risen to Rx. 1,536,000—that is to say, that in those 40 years it has grown by six times as much as it was.

19,985. (*Mr. Mowbray.*) Is there any charge for education, which is Imperial and not provincial, in addition to these?—Only in Upper Burma and in a few of the very small provinces, such as Ajmere and Beloochistan, where the expenditure is charged as Imperial, though it is really the expenditure of the provinces.

19,986. (*Chairman.*) That argument of the increase might be applied in other States. If you go back 60 years with us, the charge of education has risen from *nil* to very many millions?—That, I would submit, strengthens my argument. No one could suppose that India now is at all in the condition in which England was at the time when a system of general compulsory education was adopted; and, as far as I can recollect, the expenditure in India upon education from the public purse is far in advance of what it was in England before the system of compulsory education was adopted.

19,987. Still, do you think that the Indian Government, supposing that there had been no increase in the charge of exchange and no increase in the Army, would have wished to increase to any great extent the expenditure on education?—I have no doubt they would have increased the expenditure on education to some extent, if they had been in those happy circumstances.

19,988. I am looking at the criticism made, as I understand it, that the expenditure on education in India is too small?—Yes.

19,989. The question is, do the Indian Government think that India does not need expenditure on education to the same degree that, we will say, we have it here, or would they say that they would like, if they had the means, to increase the expenditure on education very much?—I doubt very much if the Government of India would wish, under present circumstances, to largely increase the expenditure from general revenues upon education. I am, however, quite sure that it would not at all attempt at present to make education compulsory. I may add that full advantage is not taken even of the existing expenditure on education. There are many schools supported or aided by Government, which are by no means full. My own experience of district work enables me to say that with absolute confidence; that the educational resources

* Appendix No. 80.

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which are placed at the disposal of the people are not fullly utilised at present.

19,990. Then merely taking your own view and your own experience of the matter, would you put it in this way, that, if the Indian Government had money at their disposal, they would probably increase the appropriation for education; but that they would not measure the wants of India for education by the same sort of measure that we measure the wants for education here?—Certainly, I should say that.

19,991. Now again Law and Justice show in Bombay an increase of less than 4 per cent., in Madras of 17 per cent., and in Bengal of 25 per cent.; do you think the Indian Government would be satisfied with these figures, bearing in mind the increase of population, or would they wish to increase the appropriation if they had the means?—I doubt if the expenditure on courts would increase very largely, even if the Government of India had more ample means. Of course, there is an increase which is necessitated by the increase of population, and I think that, except in Bombay, the increased expenditure has kept pace with that. There has also been some increase in expenditure owing to raising the salaries of subordinate judges and munsifs, the lower grades of judges, but I do not think the Government of India would raise their pay any higher at present, even if they had the means. I do not think that in the case of law and justice there would be any very large increase except possibly on the construction of court houses, which as it happens would not be classified under the head of law and justice, but under public works; I think more expenditure would be incurred on that account probably.

19,992. Has it not been an objection to measures for separating judicial and executive functions that the expense would be a difficulty?—That is one of the objections, I do not think it is the sole objection; I should say that there are administrative objections which are equally as strong as the financial objection.

19,993. But my recollection is right, is it not, that the Indian Government did plead the increase of expense, as well as other reasons, in the matter?—I think that they would plead that reason, even if they had increased resources; that is to say that I think there are other objects to which they would first apply any increased resources rather than to the separation of the executive and judicial functions.

19,994. Of course, the increase in Bombay of 4 per cent. over 20 years is a very small one?—Yes, that I have already explained in a previous answer (Q. 19,933).

19,995. Perhaps I might ask very much the same question with reference to public works, though I do not know that their case is quite so striking as the other was?—There has been a very large increase in the expenditure on public works; undoubtedly there is room for an almost unlimited increase in that class of expenditure, and to whatever extent the Government of India could make resources available for that purpose I think they would. Good roads and means of communication are very much needed in many parts of India still.

19,996. We have heard from you that such services as irrigation, which are looked upon as of a commercial character, are excluded from those figures?—Yes, irrigation is.

19,997. Therefore it is merely ordinary Government buildings and roads that are included under the public works is it?—That is the chief expenditure. There is also included some small expenditure on the construction of railways, as indicated in the tables.

19,998. Are there any other useful services included under that head?—There are some which are called miscellaneous public improvements, and there is also expenditure on ferries and other means of communication. The expenditure is mostly for improving the communications and for Government buildings.

19,999. You may say that the Public Works as they are put down in your tables are confined to public buildings and communications?—Yes, almost entirely.

20,000. (*Sir Andrew Scoble.*) And water supply—I do not mean irrigation canals, but ordinary supply?—Yes, to whatever extent Government undertakes, that. It undertakes it to a very petty extent only.

20,001. (*Chairman.*) What do you mean by water supply; water supply in big towns?—No, that, of course, is municipal entirely; but occasionally expenditure is incurred on tanks for villages and rural districts.

20,002. (*Sir James Peile.*) Tanks and wells?—Yes.

20,003. (*Chairman.*) Objection has been taken to the quinquennial revisions; what is the reason which leads the Indian Government to prefer that method of adjustment to a more continuous system, say, allotting year by year a certain percentage of receipts to provincial needs?—This matter was one which was dealt with by Sir James Westland in the course of the last budget debate in the Legislative Council of the Government of India. I will, if the Commission will permit me, put in an extract from his speech relating to this point.* But, briefly, his arguments are that while in a country like India expenditure must be progressive, and it is only reasonable to divert a portion of the increasing revenues to meet such expenditure, yet the first and primary claim upon the increasing revenues is that of the taxpayer; and that that claim cannot be satisfied if a permanent contract is made with the Provincial Governments or even if the contract is for a longer period than about five years. Further, the settlement of a permanent contract would involve a dip into futurity, which our financial experience shows us we should be unwarranted in making. Finally, the revisions are not always favourable to Imperial interests; the Government of India is ultimately responsible for the solvency of the Provincial Governments. Where the revenues progress at a reasonable rate, and thus provide sufficiently for the requirements of administrative expenditure, a permanent contract might remain in force; but where this is not the case, and especially where famine or other abnormal disaster occurs the Government of India must step in and relieve the Provincial Governments by additional assignments, as it has had to do in the current year. The contracts, therefore, if made permanent, could only really be so in cases in which such permanency favours the Provincial Government. The periodical revision of the contracts is accordingly an absolutely necessary part of the provincial contract system; and it does not seem possible to lengthen the term of revision beyond the period now prescribed. His Excellency the Viceroy dwelt at some length on the same question and concluded his remarks upon it as follows:—"Whatever "the Imperial assignment, be it a larger or a smaller "proportion, I maintain that the Government of India "will fail in its duty if it does not retain a constant "and strict control over it. Remember, every assign-"ment of this kind is a direct hindrance to the "remission of taxation. So long as the same body "imposes the taxation and is responsible for the "expenditure it can be called to account if taxes "become excessive; and it will always bear in mind "the necessity of diminishing, if possible, the imposts "on the people. The tying up of a large part of its "income by its permanent devolution to a spending "authority, which is not also a taxing authority, "directly diminishes these incentives to economy, and "the inevitable result is that growth of income is "used for increase of expenditure and not for remis-"sion of taxation." It is true that in recent years the Government of India has not been able to remit taxes but has been obliged to impose fresh taxation to meet its expenditure, owing largely to the fall in the rate of exchange. But the above arguments apply with equal force to this state of affairs also; for, but for the power of revision, the additional taxation would necessarily have been greater.

20,003A. Therefore, the Government of India hold that the system of periodical contracts is necessary to that control which the Imperial Government ought always to keep over the disbursements of revenue?—I think so; and I think that they hold that even in allowing a five-yearly contract, they are going to the very extreme limit of the relaxation of that continuous control.

20,004. And, therefore, they uphold the system of periodical contracts not merely as expedient for administrative purposes, but as a question of financial principle?—I think so.

20,005. (*Mr. Mowbray.*) I see that in your paper, Mr. Jacob, you refer to a possible idea of separating education and making a permanent and fixed grant in regard to that?—Yes.

20,006. May I ask how far you think such a proposal is open to the objections which you have already

* *See* Appendix No. 84.

been detailing as expressed by Sir James Westland and the Viceroy?—I do not think it is open to those objections at all. The Government of India has under consideration a scheme. I think I can hardly say more than that; it was mentioned by Sir James Westland in the budget debate, but he took care to state that it was only his own view at present. I know from subsequent communications that I have received that it is certainly now under the consideration of the Government of India. Whether it will be adopted ultimately in the particular shape which Sir James Westland sketched or not I do not know; but this is the shape in which it suggests itself to Sir James Westland. It is a scheme for separating off certain classes of expenditure (such for instance as education, medical and public works, and possibly a few others), and making for them a certain fixed and permanent assignment from the general revenues, requiring any future additions to be made either by the development of existing local taxes or by the imposition of new local taxation. If this were done, this expenditure might be treated as separate from the general expenditure, as indeed, a separate branch of finance completely under the Provincial Governments and the Councils, and the expenditure might then be developed independently of the condition of the general finances. The scheme is, however, at present, quite in an embryo state, and it is impossible to say yet whether it can or will be adopted.

20,007. But how far is a scheme of that kind free from the objections which you have been urging against the general fixing of a permanent assignment?—I do not think there would be any objection to fixing a permanent assignment if it was a fixed assignment. The objection, as I conceive, is to allowing for such purposes an assignment of a percentage of the revenues.

20,008. Of a percentage of the revenues?—Of a percentage of the revenues, which would steadily increase.

20,009. And the idea of this proposal would be a fixed permanent grant and not a percentage of revenue?—That is the general idea. I believe that Sir James Westland also entertains the idea, in order to admit of a very small increase, of possibly allowing a very small assignment of revenue under some specified head to be given for these purposes; but, if the proportion assigned were very small, the objections to it would be minimized.

20,010. Would it not take out of the hands of the Imperial Government the possibility of making a remission of the taxation?—It would perhaps to a small extent; but if the percentage were only very small, say only two or three per cent. of any particular head of revenue, it would not seriously hamper the Government of India in making a remission of taxation; whereas now about one-fourth of the revenue, you may say generally more under some heads and less under others, is assigned to the Provincial Governments and an assignment so large as that might really form a serious obstacle in dealing with the whole revenue.

20,011. And, in fact, it is free from the objections which you have been urging, because it is only proposed to put it in force on a very small scale?—Yes.

20,012–3. *(Chairman.)* Would not that be an important measure? Take the progress of education from the figures which you have put before us over these 20 years, and which was very striking, showing an increase over 20 years of between 40 and 50 per cent. Under such a plan as that which Sir James Westland sketched out there would be hardly any room for an increase of that kind, would there?—His intention is that the assignment from the general revenues for, say, education, is to be fixed, not the expenditure on education; but that any further increase, that might be required, would have to be made up from local taxation. The requisite taxes would be raised by the Provincial Governments. They would then feel the pinch, which they now do not feel, of having to provide the resources as well as spend the funds.

20,014. That is intended to meet the very sound financial objection of the Governor General that the disbursing and the raising of taxation ought to be in one hand?—Yes.

20,015. Or, rather, ought not to be in different hands?—Yes.

20,016. But, apart from this question of principle which leads the Indian Government to prefer the system of periodical contracts, would you not consider from the figures which you have put before us that the Provincial Governments would rather have lost than gained if a self-acting rule had been in force?—I think that is certainly the case; they have gained by the present system, as compared with a system under which they would receive a fixed percentage of the total revenue.

20,017. That is to say, your figures show that during this period the assignments of the Provincial Governments have increased in a greater ratio than the Imperial?—Yes, but I think that the so-called self-acting rule would be unworkable in practice for the reason which, I think, I have already quoted from Sir James Westland's speech, that the Government of India is ultimately responsible for the finances of the Provincial Governments, and that, if a definite percentage were assigned to them, the Imperial Government would have ultimately to make good any deficiency resulting from the contract.

20,018. The argument that Provincial Governments are "shorn" in these revisions is not confined to the Indian witnesses who appeared before us. They appear to have had some reason for relying on that plea, inasmuch as the Provincial Governments themselves advance it. How do you account for the responsible Provincial Governments advancing that argument if there is no ground for it? They, of course, had or could have had the true figures on which you rely before them?—Before answering that question, I would venture to submit that the expressions used in this connexion are certainly exaggerated. The term "shearing," which your Lordship has quoted, implies much more than what the Government of India can, on any reasonable view, be described as doing at the time of revision. "Shearing" implies that the whole of the increase accruing between two periodical revisions is taken away and that the finances are reduced at the second revision to the same dead level of revenue and expenditure as at the preceding revision. The figures which I have laid before the Commission show that that has not been, in any instance, the case. But I am very glad that your Lordship has asked me the question, because it enables me to give a reply to objections which less well-informed criticism would probably bring. Your Lordship's Treasury experience must have led you to arrive at the conclusion that the description of Treasury action which would be given by the heads of other Departments would not be that which would commend itself to the Treasury, or even to an impartial critic. In respect of the apportionment of the general revenues the heads of the Provincial Governments are at the periodical revisions very much in the same relation to the Government of India as the heads of the spending Departments in England are to the Treasury. They, themselves, as soon as the revision is complete, come into the position of being the financial authority responsible for the proper distribution of available resources, and in their dealings with their heads of Departments they have then to assume very much the same position as the Government of India assumes with regard to them. It must be borne in mind that at the revision the Provincial Governments are arguing for an increase of their share of the total resources at the disposal of the Government of India. They have constantly brought before them important projects of expenditure, and these are pressed upon them now-a-days, not only by the heads of Departments but by the members of the Legislative Councils, who, in recent years, have been assigned a much more independent position than they had a short time ago. Sir James Westland referred, in the last Budget debate, to the pressure which was put upon Provincial Governments in this way as a danger to provincial finance under existing circumstances. Then, impressed as they are with the importance of these projects, they find their resources cut down, for, undoubtedly, at the time of revision there is an immediate cutting down of provincial resources, not indeed to the same level as at the beginning of the previous contract, but to an appreciable extent as compared with the resources which were in the hands of the Provincial Government in the previous year. This reduction of resources looms large before the head of a spending Department or of a province, and obscures his vision of the very real progress which has been made in the past, and of the higher standard from which each fresh revision starts, facts which are clearly established, I would submit, by the figures which I have laid before the Commission.

20,019. Of course you will observe that the arguments laid before us by the native gentlemen who have

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appeared before us derived considerable force from the fact that they seemed in some cases to be little more than a repetition of what the Provincial Governments themselves have stated?—That is undoubtedly the case, but I have here an extract, which I should like to read to the Commission, if they would permit me—it is not a very long one—from a review by Sir Charles Elliott of the Provincial Finance during his five years tenure in Bengal; which will show, I think, that even in the view of a Provincial Government and of a Governor so well informed as Sir Charles Elliott, the Province of Bengal has made very considerable progress during one five yearly period: The extract is as follows:—"Notwithstanding this drain upon the provincial "resources, the Lieutenant-Governor is glad to be able "to look back upon a substantial array of administrative "improvements which have been carried out within "the period under review."

20,020. What is the drain of which he is speaking?—That is rather an interesting point; that was the drain which Mr. Banerjea mentioned as a special levy from the Bengal Government. There was one special of ten lakhs of rupees from the Provincial Government during the period, and this, which Mr. Banerjea called another special levy of 67 lakhs, was not a special levy at all. The special drain referred to appears to have been the total amount for five years of the fixed sum which was under the terms of the provincial contract with Bengal was deducted from the percentage of the land revenue—25 per cent.—assigned generally to Provincial Governments. In some cases, this percentage gives a Local Government slightly more, in other cases slightly less than is necessary to balance its revenue and expenditure; and the Government of India at the time of settling the terms of the contract makes a fixed deduction from or addition to the Provincial Revenues as the circumstances may require. This sum of 67 lakhs was made up of these fixed sums taken back from the Bengal Government during the whole term of the contract. They were not a special levy at all; but were taken under the terms of the contract itself.

20,021. They were part of the contract?—They were part of the original contract.

20,022. (*Sir James Peile.*) Have we anywhere in the evidence a list of the special levies which have been taken from the provinces from time to time?—Yes, they are given in the Appendix.

20,023. And I suppose the return shows what levies were refunded afterwards?—Yes.

20,024. (*Chairman.*) And this ten lakhs?—This levy of ten lakhs is shown in the Appendix.*

20,025. That was refunded afterwards, was it not?—No.

20,026. That has never been refunded?—No.

20,027. And that was levied under circumstances of great pressure; it was a demand upon the local assignment to meet the pressing demands of the general government?—Yes.

20,028. And it has not been refunded?—No; I may say that this extract is in immediate continuation of what Mr. Banerjea quoted in regard to the 67 lakhs. Of course it did not suit his purpose to make this further quotation.

20,029. (*Mr. Mowbray.*) In which year was the ten lakhs levied?—1890-91. Sir C. Elliott continued:—"Three new districts have been created; the number "of subordinate judges and munsifs has been increased; "an additional judge has been appointed for the eastern "districts; the ministerial establishments of judicial "officers have been strengthened; and the number of "rural sub-registrars has been increased. The police "has been reorganised mainly on the lines suggested "by the Police Commission of 1890, at a total cost "of more than five lakhs per annum; a school for the "training of police officers has been opened; barracks "have been built and improved; special reserves of "armed police have been created in every district to "meet local emergencies, and the French system of "identifying criminals by measurement has been "introduced. The gaols at Buxar and Bhagalpur have "been enlarged; the Hazaribagh gaol has been converted into a central gaol; special committees have "been formed for the purpose of conducting systematic "inquiries into the condition of the less healthy gaols, "and the water supply of all the gaols has been "examined and improved. A large block of buildings, "to be devoted to the study of anatomy, has been "added to the Medical College, and numerous minor "improvements have been made in the buildings of "that institution; surgical and mid-wifery wards and "a dispensary have been constructed at the Campbell "Hospital; a new hospital is under construction in "the south of Calcutta; the Vaccination and Sanitary "Departments have been completely reorganised; a "second vaccine depôt has been opened at Darjeeling "and is now extending its operations to Nepal; "quinine has been brought, through the Post Office, "within the reach of the poorest classes, and the "supply has been increased by the purchase of a "fresh plantation at Nimbong, near Darjeeling. The "system of weighing salt has been improved, and the "salt warehouse at Sulkea has been connected with "the East India Railway, so as to facilitate the export "of salt by rail. Under the head of Public Works the "period has been one of considerable activity. In "Calcutta a new police court, an office for the Presidency Commissioner, the Collector of Calcutta, and "the Collector of Income Tax, and two new buildings "for the Stamps and Stationery Departments have "been built, a fresh wing has been added to the "Indian Museum, and the Small Cause Court has "been greatly enlarged. In the Mufasal a large "number of Government offices have been built and "extended, and quarters have been provided for "several officials in places where houses were not to "be had. Feeder roads have been opened in connexion "with several railways, and a definite scheme has been "worked out for future operations in this direction. "Material help has been afforded to the backwood districts of Palamaw, and the Sonthal Parganas towards "new and improved roads; the communications of the "tea districts of the Duars and Darjeeling have been "improved, and a great number of bridges have been "constructed on provincial roads. During the current "year a large project, the canalisation of the Bhangor "Khal, has been undertaken, which will improve the "boat route to Backergunj, and extend the facilities "for traffic with Eastern Bengal generally. The "Orissa system of canals has been extended, and the "Hijili Tidal canal remodelled. Particular attention "has been given to the construction of distributaries "and the collection of irrigation rates has been "improved. In the Education Department Provincial "money has been spent on improving the teaching at "the Sibpur Engineering College, and adding to it a "class for mining engineers, and a new set of workshops has been constructed for the practical training "of the students; a veterinary school and hospital has "been created in Calcutta; primary and female education have been extended; an industrial school has "been opened at Patna; a new school for European "boys is being constructed at Kurseong; a chemical "laboratory has been added to the Presidency College; "a new building provided for the school of art in "Calcutta; and finally large additions have been made "to the Eden Hindoo Hostel, and the Calcutta Madrasa "boarding-house has been begun with the object of "providing suitable accommodation for all or a large "portion of both Hindoo and Mahomedan students. "The list is a long one, but, were it twice as long, much "would still have been left to do. Where the claims "to assistance are so numerous and so pressing as they "are in Bengal it is clearly out of the question that "all should be met. The utmost that the Government "can hope to accomplish is to allot the limited resources at its disposal as far as possible in accordance "with the relative urgency of the demands which are "put forward. Sir C. Elliott trusts that he has "applied this principle as equitably as circumstances "permitted. He leaves the Provincial Finances in a "condition of exceptional prosperity, and he rejoices "to think that his successor will be able to utilise "the large balance with which the present year will "close in carrying out some of the projects and "improvements which he himself has been unable to "complete."

20,030. (*Chairman.*) Well, that is the Provincial Governor reviewing the period of his administration?—Yes.

20,031. And showing the very considerable progress that has been made during that period; but you find that to be somewhat at variance with what the Lieutenant-Governors or the Governors have expressed to the Central Government when it was a question of trying to get more money?—Yes.

* *See* Appendix.

20,032–3. And you look upon those expressions, then, as arguments rather *ad hoc*, addressed to the particular object that they had in view?—I think so.

20,034. In one of your memoranda you comment upon the answer of Professor Gokhale to questions 18,107 and 18,109?—Yes.

20,035. What you say there represents the position of the Governments when they are not reviewing what they have done themselves, but when they are applicants to the Imperial Government for larger grants?—Yes.

20,036. Perhaps you will read that comment?—It is undoubtedly the fact that some heads of Provincial Governments do not approve of the working of the Provincial contract system, and especially of the periodical revisions of the assignments made for Provincial Expenditure. The Lieutenant-Governor of Bengal and the Governor of Madras have both expressed an unfavourable opinion of the working of the system.

20,037. Was that Sir Charles Elliott?—No, the Lieutenant-Governor referred to is Sir A. Mackenzie; this criticism was quoted by one of the witnesses. The Governor of Madras—the present Governor—has characterized the system as "demoralising both to the Provincial and Supreme Governments." He said, in a speech in the Provincial legislative council, "It "appears to me the contract system, so called, is bad "in itself, and is demoralising both to the Provincial "and Supreme Governments. It is bad, as each "revision as it takes place has a terribly disturbing "effect on the local administration, especially in the "important department of public works, to which the "pruning knife has to be constantly and ruthlessly "applied. It is demoralising to the Provincial "Government, because it tends to impair that "sympathetic co-operation between the Supreme and "Provincial Governments, which is very desirable, and "because it tempts the Provincial Government in its "financial relations with the Supreme Government, "which is master of the situation, to have recourse to "the tactics of the weak. When we are well off we "try to hide our money, and spend it recklessly, lest "the Supreme Government should lay its hands on it; "when we are poor we try and give undue emphasis "to our poverty. The system is demoralising to the "Supreme Government, because it relieves that "Government of the consequences of its extravagance. "I am of opinion that the financial condition of this "Presidency will never be satisfactory until a larger "degree of financial independence and control is "conceded to the Provincial Government, and until "some arrangement more constant and permanent "and less one-sided than the present contract system "has been adopted." That is certainly the view by certain Provincial Governments, but I think the figures which I have submitted with reference to Madras, for instance, will show to what extent the Commission can uphold the view of the Governor of Madras that in the important Department of Public Works the pruning knife has to be constantly and ruthlessly applied. The figures which I have submitted show that in Madras the expenditure on Public Works has increased very largely even in the short period reviewed in the tables I have drawn up.

20,038–9. You will quite understand the effect that such arguments as those used by the heads of the Provincial Governments must have; and you would probably admit that you would not be surprised that native inquirers into these matters should be struck by such statements coming from an official authority, and should use them?—I think there is great force in that consideration. I am not at all surprised that these arguments should be adopted. But I happen to have by me a remark as to the working of the Treasury control made by just as responsible an official as any of those who have spoken in India, which describes the Treasury control in the following way:—This is what the witness said: "In large matters I think the "control of the Treasury Department might be in-"creased, in small matters I think it is a pity that it "is increased. It has given rise to much work and "large expenditure, and no advantage."

20,040. And that you put forward as the same kind of criticism made by a high officer here upon the control of expenditure here?—Yes, it was made by Sir Ralph Knox in the evidence given before the House of Commons Select Committee on Army Estimates in 1887.

20,041. The point being that too much stress should not be laid upon such arguments of administrative officers when they are pleading for a particular point?—Yes, I think you have to consider what the particular object they have in view is.

20,042. But now let us come to the real answer which, I take it, you put forward to these pleas, whether they come from the native gentlemen who have appeared before us or from the Provincial Governments. You point out by those figures which you have very effectively put before us the very large increase which has taken place in Provincial assignments over the period to which you call attention?—Yes.

20,043. And that those assignments have really considerably exceeded the ratio in which the general revenue, from which those assignments are made, has increased?—Yes, that is so; that is the general argument; in fact, the Government of India in dealing with the Provincial Governments, might adopt, almost word for word, Sir Charles Elliott's summing up of his dealings with the various Departments under his care.

20,044. (*Mr. Mowbray.*) Do you think there is any justification for the suggestion made by the Governor of Madras and some of the witnesses, that in the last year of the quinquennium unnecessary expenditure is incurred in order to make the position of the Provincial Government appear better when it goes to the Central Government to have those terms revised?—I think there is a tendency to that; I should not suppose it can occur to any very large extent. I think your Lordship will bear me out that it is the fact that in England, as well as in India, there is a similar tendency even under the annual Budget system; that is to say, that the departments which have a Budget grant try to spend the balance of that Budget grant at the close of the year, with the view of getting the money while it is appropriated to them, as the Budget grant lapses at the close of the year. The tendency is controlled as much as possible, but it certainly does exist. I do not, however, think it occurs to any so great extent as to vitiate the Provincial contract system; and I would urge that the figures that I have submitted show that there is, as a general rule, no such great difference between the expenditure in the last year of a contract and in the first year as would support that argument. If the figures are looked at, it will be seen that there is no very great difference between the expenditure in the last year of one contract and the first year of the succeeding contract.

20,045. The increase, such as it is, is normal, and not exceptional for the purpose of making better terms?—There is very small expenditure, I should say, for that purpose.

20,046. (*Chairman.*) I think your instance is a very fair one. In my experience, I should say, that the great spending departments do press their expenditure in the last month of the year as far as they can, because their grants lapsed at the end of the year, which is very much the position in which the Provincial Governments stand in India; namely, their grant terminates at the end of five years?—Yes.

20,047. It is only human nature that, if they have balances available, they should try to spend them?—Yes.

20,048. I should not attach very great weight to that argument, provided always that there is a watch kept over this expenditure. Here, a watch is kept over it by our Comptroller and Auditor-General, who promptly reports to Parliament if there is any very abnormal expenditure in the last month?—Yes.

20,049. He is perfectly aware of the tendency, and looks very strictly at the orders given and notes how far the expenditure is abnormal. I do not think you have that check in India; but at the same time you have the check of the Imperial Government, which, I suppose, would notice if a Provincial Government at all played ducks and drakes with the money?—Practically, no large scheme of administrative public expenditure could be matured and brought into force within a year. If any exceptional expenditure of that kind is contemplated, it would probably require the sanction of the Government of India, and the Government of India would be able to control any abuse of the system in that way. Any extra expenditure incurred is usually on public works, which does not involve the Provincial Government in any recurring expenditure, but simply uses up its balances for the time being.

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20,050-1. It has been stated that under the present system the allotments to the various provinces are not fixed on any fixed or intelligible principle. I think, in answer to a former question, you have met that objection to a certain extent when you have pointed out that the contract system was engrafted on the previous system, and that the Indian Government was endeavouring to bring the system in the various provinces more or less together?—Yes.

20,052. And I will only ask whether anything occurs to you further to show that that argument is not a well-founded one?—I should say, in answer to that argument, that it is an undoubted fact that the original allotments were made on the basis of existing facts. The plan adopted by the Government of India was not that of setting up a theoretical standard of expenditure for all provinces, and endeavouring to introduce it suddenly and at once. Any such changes must be introduced gradually, and the Government recognised this. But it was one of the main objects of the decentralisation scheme to get rid of the haphazard allotment of resources in the future, and starting, as they must, from the existing state of things, to introduce a plan under which the local governments would be able gradually to develop their resources and to expand their expenditure on useful objects. If the local governments are at each revision to press their claims to a consideration of what they deem the requirements of their provinces, and to demand additional resources to meet these requirements the so-called allotment by clamour would continue in force; and, further, the taxation would on the whole be largely increased. The Government of India has indeed had to meet this argument in the recent recent revisions of the Provincial settlements, and I have already quoted some of the remarks they made with reference to it.

20,053. That concludes all the questions which occur to me on this question of the Provincial Expenditure. I do not know whether there is any point which I have omitted to which you would like to call attention?—I do not think there is any other of importance, so far as I can judge.

20,054. Then I think we will now pass on to the second point which I have mentioned, namely, the admission of natives to the higher appointments in the public service. The Indian witnesses urged that natives of India should be admitted in greater numbers to the higher branches of the public service. The Commission would be glad to learn from you, in view of this evidence, whether the Indian Government is extending the employment of natives in the higher offices?—The Government of India is certainly extending the employment of the natives of India in the higher offices. A considerable portion of the evidence of the Indian witnesses has been taken up with the discussion of this question, and with criticism of the action in this direction of the Government of India. Mr. Banerjea, however, at the close of his evidence, admitted that much had been done, and that some progress had been made, and his final criticism came to this, that more might have been done and that the progress should have been faster. I think, therefore, that the course the Commission would prefer I should adopt in my evidence is not to follow the witnesses through their detailed criticisms, but merely to lay before the Commission a statement of fact, showing as briefly as possible, in the case of each important Department, what are the orders of the Government of India now in force for the more extended employment of natives in appointments of the higher grades. It must, of course, be borne in mind that full effect can be given to these orders only by degrees. For the extended employment of natives new appointments have not been created, certain appointments formerly filled by Europeans are in future to be filled by Indians; but when the orders were issued these appointments were held by Europeans, and neither can they be dismissed at once to make room for Indians, nor can their reasonable prospects of future promotion be disregarded; vested interests must be respected, and the new scheme can be introduced, for the most part, only at the bottom of the scale, and as vacancies occur. Further, in some Departments, where technical skill or knowledge is required, the recruitment is necessarily limited by the number of candidates who may qualify themselves by special professional training for the duties of those Departments. In every case, therefore, some years must elapse before the scheme can be introduced in its entirety, and in some cases the period may extend to 20 or 30 years; but the orders, which I propose to bring to the notice of the Commission, show the goal at which the Government of India for the present aims, and the extent to which natives will eventually be introduced into the higher branches of the service without any further orders being passed. Should the Commission care to acquaint itself with the earlier history of this question, I beg to refer it to the Report of the Public Service Commission (especially Chapter III.), and to the correspondence relating to that Report which was presented to both Houses of Parliament in 1890 (No. C.—5,926). I do not propose to abstract the correspondence which has subsequently taken place, but merely to state the final orders which have been issued in respect of the principal Departments as the outcome of that correspondence.

20,055. Perhaps you will state to the Commission the outcome of that correspondence, and take first the Executive and Judicial Departments?—In each province a Provincial Service has been established, consisting of the old class of subordinate judges, deputy collectors and extra assistant commissioners, and of certain appointments previously reserved by law or practice to the Indian, formerly called the Covenanted, Civil Service. It is in respect of these latter that a concession is made to natives (the concession being in the case of these Departments in substitution for that made by the Statutory Civil Service, appointments to which are now discontinued). I put in a list showing for each province—other than Assam and Burma, which are not yet ripe for the introduction of the Provincial Service System—the officers transferred from the Indian Civil Service to the Provincial Civil Service, and their pay, which has been fixed in round numbers at about two-thirds of that drawn by Indian Civil Servants in similar posts.

Appointments.	Madras.	Bombay.	Bengal.	North-West Provinces.	Punjab.	Central Provinces.	Total.	Monthly Pay.
1. Heads of districts -	2	2	4	2	2	1	13	Rs. 1,000 (except in Madras and Bombay), and Rs. 1,200, and Rs. 1,600.
2. Sub-collectors, joint-head-assistant and assistant collectors and assistant commissioners.	7	9	8	9	3	2	38	Rs. 300–700 (but varying in the different provinces).
3. Secretary to Board of Revenue or Financial Commissioner.	1	—	1	1	1	—	4	Madras, Rs. 1,000; Bengal, Rs,1,200; North-Western Provinces, grade pay, plus Rs. 150; Punjab, Rs. 600.
4. Settlement and assistant settlement officers.	—	1	—	2	2	1	6	Punjab, Rs. 800 and Rs. 1,000; Bombay, Rs. 800; North-Western Provinces, Rs. 500 and Rs. 700; Central Provinces, grade pay plus Rs. 100.
5. Assistant-Director of Land Records and Agriculture.	—	—	—	1	-	—	1	Rs. 400–500.

Appointments.	Madras.	Bombay.	Bengal.	North-West Provinces.	Punjab.	Central Provinces.	Total.	Monthly Pay.
6. District and sessions judges, and divisional judges.	4	2	6	4	2		18	Rs. 1,000–1,600, Madras, Bombay, and Bengal, and Punjab; Rs. 1,000–2,000, North-Western Provinces.
7. Joint judge (Bombay).	—	1	—	—	—	—		Rs. 800.
District judge (Punjab).	—	—	—	—	2	—		Rs. 800–1,000.
8. Assistant judges -	—	2	—	—	—	—	2	Rs. 500–600.
9. Small Cause Court judges.	—	—	—	2	—	2	4	North-Western Provinces, Rs. 800 and Rs. 1,000; Central Provinces, Rs. 700 and Rs. 800.
10. Registrar of High Court.	—	1	—	—	—	1	2	Central Provinces, grade pay plus Rs. 100.
11. Under-Secretary to Government.	1	—	1	—	—	—	2	Rs. 700.
Total - -	15	18	20	21	12	7	93	

The appointments shown against item 2 have been amalgamated with the grades of Deputy Collector and Extra Assistant Commissioner. In the other cases there is no fixed number of appointments in each grade, the members of the Provincial Service rising *pari passu* with their contemporaries in the Indian Civil Service. Besides the appointments shown above and actually listed for the Provincial Service, members of that service are also eligible for higher posts, such as high court judgeships, commissionerships, and memberships of the Board of Revenue. Every appointment to the higher grades of the Provincial Service is to be based wholly upon fitness and merit, seniority being regarded only where the claims of two or more officers who are equally fit come into competition. Statutory Rules under 33 Vict. c. 33. s. 6., have been framed and published to give effect to these orders. These rules require the sanction of the Government of India to any other than merely temporary appointments (of three months duration) to the office of District and Sessions Judge or Chief Administrative Officer of a district or to any higher office.*

20,056. Are we to understand that the Provincial Service consists entirely of natives?—It consists almost entirely of natives. The Government of India has the power to appoint Europeans, but it is intended that natives of India should, as a rule, be appointed; and I believe that all the appointments that have been made so far under this scheme have been those of natives of India.

20,057. Therefore, we have in each of the Provinces, as it were, two bodies of services, the Indian Civil Service and this Provincial Service?—Yes.

20,058. And practically, you may say, the Provincial Service represents the native element?—Yes, there are natives, of course, in the Indian Civil Service as well, who have passed in the open competition in England.

20,059. Quite so. That is to say that just as there is the power to appoint Europeans to the Provincial Service, so there is the power to appoint natives to the Civil Service?—Yes.

20,060. There is no absolute block against either race in either service?—No.

(*Mr. Naoroji.*) In the Civil Service they are only appointed if they pass an examination here; it is not that, they have the power to appoint anybody.

(*Chairman.*) Whether it is right or wrong to require it, they have to conform to the rules of the Indian Civil Service, which involves an examination here.

(*Mr. Naoroji.*) So that it is not a power of appointment in the Government.

20,061. (*Chairman.*) Generally speaking, would you give us the effect of this table?—The higher appointments made over to the Provincial Service are heads of districts, 13; district and sessions judges and divisional judges, 18; joint judge, 1; district judge in the Punjab, 2; assistant judges, 2; sub-collectors, joint, head assistant and assistant collectors and assistant commissioners, 38; secretary to the Board of Revenue or Financial Commissioner, 4; settlement and assistant settlement officers, 6; registrars of High Court, 2; Small Cause Court judges, 4; under-secretary to Government, 2; assistant director of land records and agriculture, 1; total, 93.

20,062. Is that the cadre that exists now, or is it what you are aiming at?—This is what is aimed at.

20,063. That is to say, at the present moment we should not find all those posts held by natives?—No.

20,064. Because, of course, you wait till vacancies happen before effect can be given to a new scheme?—Yes.

20,065. I see you put against each of these grades their pay, for instance, the heads of districts, 1,000, 1,200, and 1,600 rupees; are these monthly payments?—Yes.

20,066. Have you any idea of the proportion that this number of 93 bears to the number of Europeans occupying similar positions?—I cannot give the exact figures, but I can give roughly what the proportion of Europeans is to natives in the whole of the executive and judicial departments.

20,067. But would that represent the higher employments, because these are what we are dealing with now, are we not?—It represents those who hold appointments which correspond with the appointments held by the Indian Civil Service either lower or higher.

20,068. Yes, but you see here the lowest pay apparently is 400 to 500 rupees a month?—300 to 700.

20,069. That, of course, comes under the heading of higher appointments?—Yes.

20,070. They are good salaries?—Yes.

20,071. And therefore what I wanted to know is, comparing with that kind of salary and that kind of appointment, what would be the number of Europeans employed?—I have not the exact figures for the Indian Civil Service; but I may say that the whole of the Indian Civil Service used to be taken roughly at about 1,000, but that number has now been somewhat reduced, and it includes natives appointed after competitive examination to the Indian Civil Service as well as the posts eventually to be transferred to the Provincial Service. If you take off about 150 on this account, that would leave eventually about 850 Europeans.

20,072. And how would that compare with those 93?—Well, you would have to add to the 93 about 1,500 or 1,600 posts of the grade of deputy collector, extra assistant commissioner, and subordinate judge and munsif on pay of from 250 or 300 rupees a month to 1,000 rupees a month.

20,073. (*Mr. Caine.*) Would the 93 be included in the 150?—Yes, the 93 would be included in the 150.

20,074. When this scheme is complete it would be as 150 to 850?—That would be about it.

20,075. (*Chairman.*) I understood Mr Jacob to go rather further than that and to say, taking the natives,

* For the table and the above orders *see* Government of India Home Department Resolution No. 9, Public, 1342–1352, dated 21st April 1892; Secretary of State's Despatch, No. 84, Public, dated 31st August 1892; and Secretary of State's Despatch, No. 111 of 17th November 1892, with the Government of India letters to which they reply.

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not, of course, holding the highest employment but holding employments of the higher grade, you would put them considerably above that number?—I was thinking only of the highest posts. In such employment as you mention there would be about two natives to one European.

20,075*a*. That is what I want to come to; we can make the distinction that the highest places are held by Europeans, generally speaking?—Yes.

20,076. But when you come to speak of places carrying what we should call a good salary, and therefore involving responsible work, you would put it that there are about two natives to one European?—Yes.

20,077. Always bearing in mind that the Europeans hold the highest places?—Yes.

20,078. (*Mr. Caine.*) Would that be so in the Public Works Department?—In the Public Works Department eventually; the proportion of natives would be smaller.

20,079. In the Public Works Department?—In the Public Works Department the proportion of natives might eventually be about 300 out of 730, that would be about 40 per cent.

20,080. 40 per cent. natives?—More than 40 per cent. of the whole.

20,081. (*Chairman.*) You only refer to the Executive and Judicial Departments?—Yes.

20,082. When you come to speak of the 1,500 or 1,600, that would be the total of all these Departments?—No, the Executive and Judicial only.

20,083. There are 1,500 or 1,600 of them?—Yes.

20,084. (*Mr. Caine.*) That is the lower appointments which it has never been customary to give to Europeans?—For the last 30 or 40 years or more the majority of these appointments have been held by natives of India, but it is only within the last 20 years that the appointment of Europeans to these posts has been prohibited.

20,085. (*Chairman.*) But, apart from that, what you wish to draw attention to is that under this new system of the Provincial Service the natives will be admitted in larger numbers than hitherto to these higher places?—Yes.

20,086. And you consider that the appointment of 93 natives to the Judicial and Executive Departments is a considerable increase on the number of natives admitted to the higher posts?—As regards the Executive and Judicial Departments, the process has been going on for some time, as I stated before; this scheme is in these Departments merely in substitution for the Statutory Civil Service scheme, and natives have been already introduced in those Departments—into some of the higher appointments.

20,087. Has it not been alleged that this scheme is a more restricted one and not so favourable to the natives as the scheme which you call the statutory one?—That has been alleged, but the objection appears to be in the main a matter of sentiment. The Public Service Commission condemned the Statutory Service, and some change was necessary. As far as pay and position is concerned there is, however, no material difference between the Statutory and the Provincial Service. The line of separation from the Indian Civil Service is, perhaps, more marked in the case of the Provincial Service than in that of the Statutory Service; but even the latter was quite a distinct and separate service, and the difference is one of degree only. That, however, is, I think, the chief difference between the two services.

20,088. Between the two schemes?—Between the two schemes. The officers get on the whole about the same pay under the new scheme—the Provincial Service scheme, as they did in the Statutory Civil Service. It is not calculated in exactly the same way, but roughly it is the same. Under the Statutory Civil Service they get exactly two-thirds of the pay of the corresponding appointment in the Indian Civil Service. Under this scheme the pay is calculated roughly at two-thirds, but generally it is fixed in even hundreds.

20,089. (*Mr. Mowbray.*) Are there as many as 1,000 in the Indian Civil Service? I have a despatch of the Government of India before me here in 1893 in regard to the question of simultaneous examinations in India, and they give the figures there as 890?—I think that is much nearer the figure; I merely stated it in round numbers.

20,090. (*Chairman.*) You merely gave 1,000 as a round figure?—Yes, I could not lay my hands on this despatch at the moment the question was asked me, and I gave an outside round figure.

20,091. (*Mr. Mowbray.*) They then go on: "The "Civil Service of India contains in its cadre, that is, "it is recruited to fill, 898 posts in the Public Service. "Of these 74 are in special or technical Departments, "not concerned with the General Judicial and "Executive Administration of the country. . . . . "Ninety-three have been entered in lists, published in "April 1892 and January 1893, for transfer to natives "of India belonging to the Provincial Service. . . . "Deducting the 93 posts assigned to the Provincial "Service, the cadre of posts at present reserved for "covenanted and military officers is 731"?—Yes, that figure is probably much nearer the mark than that I gave before, but it would leave the proportion roughly at about what I have stated—at about one European to two natives. The figure you quote is 731, and for the natives you have 1,550 plus 93, that would be 1,643, it is rather more than two natives to one European.

20,092. (*Chairman.*) I suppose you put it roundly rather more than two to one of men receiving what would be called in the Public Service a good salary?—Yes.

20,093. You would not carry the comparison further than that, would you?—No, of course the majority of the higher appointments are still to be held by Europeans.

20,094. (*Mr. Caine.*) And promotion to anything higher than those is barred, of course, to this 93?—No, it is not barred.

20,095. It is not barred?—No, they are eligible for promotion to the higher appointments.

20,096. They can become Commissioners?—Yes, they can.

20,097. (*Chairman.*) And then they step into the covenanted Civil Service do they—into the Civil Service?—They would draw the same pay then as the covenanted civilians.

20,098. But would they be transferred into that service or not?—No, I do not think they would be transferrred into that service. They would not get any of the special Civil Service privileges, such as the pension and so on, but they would draw the same pay.

20,099. (*Mr. Caine.*) That is to say, if one of these 93 were promoted to be a Commissioner and he had not passed the Civil Service examination, he would not draw the full pay?—Yes, he would.

20,100. Well, he would draw two-thirds?—No, he would draw the full pay.

20,101. The full pay?—Yes.

20,102. But he would not draw the pension?—No.

20,103. Is there any case upon record in which any of these 93 have got out of this grade into a higher?—Certainly not, the scheme has not been long enough in force; the new recruits have not yet risen to the top of the grade assigned to the Provincial Service.

20,104. (*Chairman.*) But there always are a certain number of natives who do occupy the higher appointments, is there not, as a matter of fact?—Those in the Indian Civil Service, who have passed by competition, do.

20,105. For instance, there are some judges of the High Court, are there not?—A certain number of the judges of the High Court are always natives.

20,106. And are there no other of the higher posts filled by natives?—Not of the highest posts such as the Board of Revenue and Commissioners. There are native collectors and judges already who are members of the Statutory Civil Service and even of the Provincial Service.

20,107. (*Mr. Caine.*) There have been Acting Commissioners, I think, of natives who have passed the ordinary Civil Service, have they not?—Yes, of the Indian Civil Service there has been one to my knowledge; Mr. R. C. Dutt in Bengal has acted as Commissioner.

20,108. (*Chairman.*) I will now run through these Departments and ask you whether there is anything you would like to mention. Take the Opium Department?—No change has been made in the method of recruitment for this Department, in consequence of the suggestions f the Public Service Commission.

20,108*a*-9. May I ask what were the suggestions of the Public Service Commission, I do not mean in detail? — The Commission stated them very briefly in the following passage: — "The Commis- "sion does not advocate the continuance of the "experiment of appointing natives by selection to a "proportion of the vacancies, and recommends that "the future recruitment for the Department shall be "subject to the general principle of equality of "treatment of all classes of Her Majesty's subjects, "and of tested preliminary qualifications which have "been proposed for the Provincial Service." But the Government of India considered, and the Secretary of State has approved of their view, that natives had been so recently introduced into the higher appointments of the Opium Department that it was not advisable at present to increase their employment. Under the rules which have been in force since 1886 every fourth vacancy is filled by the appointment of a native of India of "purely Asiatic descent," consequently one-fourth of the higher posts will eventually be held by natives of India, of pure Asiatic descent. Of the remaining three-fourths a considerable proportion is composed of officers who come within the general definition of natives of India, though they are not of pure Asiatic descent.

20,110. The Parliamentary definition is Europeans, who are domiciled in India, or of mixed blood, is it not?—Yes, it includes those.

20,111. Then next the Forest Department? — The Provincial Service is eventually to consist of 126 officers, of whom 40 are to be transferred from the Imperial Service. This transfer can, however, be effected only gradually. The service is composed of 32 extra deputy conservators, 3 on Rs. 600, 5 on Rs. 550, 11 on Rs. 500, 13 on Rs. 450; 94 extra assistant conservators, 20 on Rs. 450, 22 on Rs. 350, 26 on Rs. 250, 26 on Rs. 200. Of the above total, all the deputy conservatorships, and eight (four in each of the two higher grades) of the assistant conservatorships are to be transferred from the Imperial Service.

20,112. The Postal Department?—This department has, since 1879, been brought under the general rule that only natives of India are eligible, save with the special sanction of the Government of India, for any office carrying a salary of Rs. 200 a month or upwards. The highest appointments, those of Postmaster-General and Director-General, &c., are generally held by members of the Indian Civil Service. The Public Service Commission recommended that a certain number of direct appointments should be made to the supervising grades by competition instead of by promotion from the lower grades, and that three out of the seven highest appointments should be filled by promotion within the department. Both these suggestions have been adopted; the department will, therefore, be manned eventually by natives only, save in the higher appointments, and even of these three will be held by natives of India, whenever men fit for promotion are available.

20,113. The Financial Department?—This Department has always been recruited partially from natives of India. Before the Public Service Commission's Report, every third vacancy was filled by the appointment of a native of India. Now, in addition to these, appointments from the lower grades of the Department (consisting entirely of natives) may be made to the extent of one-third of the remaining two-thirds. The enrolled list of the Department consists of 46 officers, of whom five are appointed ordinarily from the Indian Civil Service, and one Accountant-Generalship is also assigned to the Department. The above orders have therefore increased the ultimate "native" proportion of the strength from about 14 to 23.

The pay of the various grades is as follows:—

	Rs.
Accountant-General -	2,250, 2,500, or 2,750.
Enrolled list, class I. -	1,500.
,, ,, ,, II. -	1,250.
,, ,, ,, III. -	1,000.
,, ,, ,, IV. -	800.
,, ,, ,, V. -	600.
,, ,, ,, VI. -	400.
Probationers - -	200, rising to 300.

Besides these, there are in the Department 13 chief superintendents, all natives of India, on pay rising from Rs. 450 to Rs. 600.

20,114. Therefore there would be one Accountant-General, who would be a native?—The Accountant-Generalship is open to any native member, who will get it *pari passu* with the other members, if he is equal in ability.

20,115. The Financial Department, is that the Central Financial Department of India?—That is the Department which keeps the civil accounts of the Government of India in all the Provinces; it is directly under the Government of India.

20,116. And does it include the officers paid simply to control?—It includes, in the number previously given, the Comptroller-General and the remaining Accountants-General.

20,117. They are in addition to this?—Yes, there are five Accountant-Generals and one Comptroller-General in addition to those already mentioned.

20,118. The Comptroller-General being yourself?—Yes.

20,119. The Accountants-General are immediately under you, and they are Europeans?—One of them may be a native as shown here.

20,120. When you say may be a native, would he probably be a native?—I should think he occasionally would be. There would not necessarily be always one native Accountant-General.

20,121. The Government in India would prefer one to be a native, if he were qualified, may I take it as far as that?—I think they would certainly like to have a native Accountant-General if he were qualified—thoroughly qualified.

20,122. The Police Department? — No provincial service has been established in this Department, nor has any fixed proportion of the higher appointments been assigned for recruitment from natives of India. The European officers required are now recruited by open competition in England, but local governments are left free to promote to the higher ranks native inspectors who are found qualified for the duties of such ranks.

20,123. The Education Department?—This Department has been divided into two branches, the "Indian Educational Service" recruited in Europe and the "Provincial Educational Service" recruited in India. Natives of India have for some time past been largely employed in this Department, but the orders now issued have increased the local recruitment.

The following table shows the increase to the "Provincial Service" by transfers from the "Indian Service" in the six provinces in which the change has been introduced. Assam and Burma are not yet considered ripe for the introduction of the scheme.

	Locally Recruited.		
	Formerly.	Now.	Increase.
Madras - - -	30	35	5
Bombay - - -	38	38	—
Bengal - - -	100	113	13
North-Western Provinces and Oudh.	23	24	1
Punjab - - -	16	17	1
Central Provinces - -	4	4	—
Total - -	211	231	20

The scheme involves a saving on the whole of nearly Rs. 57,000 a year, less an uncertain but small amount on account of a few local allowances. "Natives of India" will ordinarily be appointed to the Provincial Service; but if, for special reasons, the Secretary of State appoints a native to the "Indian Service" he will draw the same pay as the European officers of that service.

The pay of members of the Provincial Service varies from Rs. 200 to Rs. 700 a month.

This scheme was finally sanctioned by the Secretary of State in his Public (Educational) Despatch, No. 22, dated 12th March 1896, but some of the measures thus finally sanctioned have been gradually and tentatively introduced during the last five or six years, and the number of natives of India employed in the Educational Service has already materially increased.

20,124. (*Mr. Mowbray.*) Do these education appointments carry pensions?—Yes.

20,125. And would the native appointed to the Education Department—you say he would draw the

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same pay as a European officer—would he draw the same pension too?—Yes.

20,126. (*Chairman.*) The Public Works Department?—A provincial service for this Department is established by Government of India, Public Works Department Resolution No. 2,112, dated 19th July, 1892.

A definite number of posts in each grade is not assigned to the Provincial Service, but it is the intention that eventually half of the appointments other than those manned by Royal Engineers shall be held by members of the Provincial Service, and to this end half the yearly recruitment (12 and 13 in alternate years) has been made locally since 1890. The ultimate distribution of the superior grades of the Department is thus stated in Government of India's Public Works Despatch, No. 65, dated 22nd October, 1890 (paragraph 16).

Province or List.	Total Strength.	Distribution of Strength.		
		Royal Engineers.	European Civil Engineers.	Indian Civil Engineers.
Bengal - -	76	14	31	31
N.-W. Provinces, 100.	—	—	—	—
Punjab, 119 -	—	—	—	—
Local administrations, 129.	—	—	—	—
Railway, 150 -	498	88	205	205
Madras - -	84	16	34	34
Bombay -	72	12	30	30
Grand total -	730	130	300	300

Of the total local recruits in each year, eight are students of the Indian Engineering Colleges, being "natives of India" (a term which includes Eurasians and domiciled Europeans) and four or five (in alternate years) are upper subordinates already employed in the Department.

The pay of the Provincial Service is fixed in round figures at about two-thirds of the pay of the European engineers, but any judged fit for appointment to the grades of chief engineer will receive the full pay of those grades. The monthly pay will thus be: chief engineers, Rs. 1,800, Rs. 2,000, and Rs. 2,500; Superintending engineers, Rs. 750, Rs. 900, and Rs. 1,050; Executive engineers, Rs. 400, Rs. 475, Rs. 550, and Rs. 650; Assistant engineers, Rs. 250 and Rs. 350.

When once appointed to any post an officer of the Provincial Service is listed on the general graded establishment of the Department, and rises through the grades *pari passu* with those appointed in England.

Members of the Provincial Service come under the Indian Service Leave Rules, and receive the general rates of pension. In other respects no difference is made between them and the members of the Imperial Service.

20,127. Then we come to the Public Works Accounts, is not that part of the Public Works Department?—No, it is not part of the Public Works Department, it is a separate Department for keeping the accounts. Occasionally officers are transferred from the Public Works Department to the Public Works accounts.

20,128. Is not the accountant under the head of the Public Works Department, or is he financially separated from him?—The Accountant-General is under the Public Works Department. The rules for this Department have been assimilated to those for the Financial Department. The proportion of natives recruited for the superior grades and the pay of the various grades correspond exactly with those of the Financial Department. Natives of India were before the issue of these orders appointed to this Department, but no proportion of such appointments was laid down and the number of natives actually appointed was small.

20,129. The Telegraph Department?—The orders for establishing a provincial service in this department follow closely the lines of those regarding the Public Works Department. No definite number of posts is assigned to the provincial service, but the recruitment is so arranged that three-sevenths of the department will eventually belong to the provincial service. In England two are recruited each year, and in India one and two in alternate years. The total strength of the department is taken at 84, so that the distribution will eventually be 48 Imperial, 36 Provincial Service. The recruitment is to be effected generally from "natives of India" who are students of the Indian Civil Engineering offices, but occasional selection of meritorious officers of the subordinate grades is also sanctioned. The pay is, in the case of the Director-General and Deputy Director-General, to be the same as that of the Imperial service. That of the other grades is to be: Director, Rs. 950; Superintendents, Rs. 600, Rs. 700, Rs. 850; Assistant Superintendents, Rs. 300, Rs. 400, Rs. 550. In other respects the Public Works rules apply.

20,130. Lastly, the Survey Department?—The proposals of the Public Service Commission in respect of this department have been accepted. Under these proposals 12 appointments belonging to the senior division (out of a total of 49) have been transferred to the local branch, the pay rising to Rs. 1,300 a month: and this local branch is to be recruited from natives in the proportion of one in four.

20,131. Are there any departments held to be specially under the Imperial Government which are outside these rules?—I have only given here the principal departments. There are other departments, but rules have been laid down for every department of the public service. I thought it was not necessary to give details of the smaller departments.

20,132. Can you give us any figures showing the number of natives of India employed in higher posts at different periods during the last 20 years?—With the view of showing the Commission how the employment of natives has actually increased in recent years, I give below the following table, showing for three different periods the total number of natives (other than clerks, &c.) on pay of Rs. 250 and upwards employed in the principal departments in Bengal, North-Western Provinces, Punjab, and the Central Provinces, and for two of these periods the corresponding figures in Madras and Bombay. The statistics have been abstracted from the Civil Lists, and the Madras and Bombay lists for earlier years are incomplete, so that it is impossible to give the figures for them for the first period. There can be no doubt, however, that a corresponding increase to that shown in the other provinces took place in Madras and Bombay between 1877 and 1887.

——	1877. April 1st.	1887. April 1st.	1897. April 1st.
Bengal - -	427	611	754
North-West Provinces -	202	302	406
Punjab - - -	95	192	237
Central Provinces -	28	56	88
Total - -	752	1,161	1,485
Madras - - -	—	212	320
Bombay - -	—	256	305
	—	1,629	2,110

20,133. When you say the total numbers of natives other than clerks, what do you mean by excluding clerk in this case: do you mean that no clerks receive pay of 250?—No, I have excluded the clerks, because I have no information about them.

20,134. (*Mr. Caine.*) Do you not think anyone who received 250 would come under a higher grade than that of clerk?—No, some on that pay are classed as clerks in some of the higher offices; they may be called superintendents in the office, but still they are classed as ministerial officers.

20,135. (*Chairman.*) If they are called superintendents would they come within your table here?—No.

20,136. Then, looking at the proportion of the figures, it is very doubtful whether if you had the figures for Madras and Bombay the total in 1877 would reach 1,000, would it not?—Yes.

20,137. And, therefore, if one assumed 1,000 it would be a very liberal allowance?—It might be a little over 1,000, but it would not be over 1,100 I should say.

20,138. And then it rises to 1,629 in 1887, and to 2,110 in 1897?—Yes.

20,139. From that I suppose you would wish to bring before us the very large increase in the number of natives employed?—Yes; in the 20 years it has very nearly doubled. Then I have also redistributed the above figures between various scales of pay.

20,140. (*Mr. Caine.*) May I just ask in passing do you include Eurasians?—No, I do not. I have included no Eurasian or European. I have taken only those with native names.

20,141. (*Chairman.*) You were going on with the explanation? — The following is the table I was mentioning:—

	1877, April 1st.			1887, April 1st.			1897, April 1st.		
—	Bengal, N. W. P., Punjab, and Central Provinces..	Madras and Bombay.	Total.	Bengal, N. W. P., Punjab, and Central Provinces.	Madras and Bombay.	Total.	Bengal, N. W. P., Punjab, and Central Provinces.	Madras and Bombay.	Total.
Above Rs. 2,000 -	1	—	—	3	3	6	11	5	16
From Rs. 1,500 to below Rs. 2,000.	—	—	—	4	2	6	4	1	5
From Rs. 1,000 to below Rs. 1,500.	7	—	—	19	8	27	33	25	58
From Rs. 750 to below Rs. 1,000.	28	—	—	46	16	62	62	36	98
From Rs. 500 to below Rs. 750.	121	—	—	221	100	321	243	112	355
From Rs. 250 to below Rs. 500.	595	—	—	868	339	1,207	1,132	446	1,578
	752	—	752	1,161	468	1,629	1,485	625	2,110

It will be seen that in the first four Provinces the total number of native employés on Rs. 250 and upwards is in 1897 nearly double what it was in 1877, and that the number paid at rates of Rs. 1,000 and upwards has risen from 8 to 48 in the same period.

In the last 10 years the total number in all the six Provinces has increased by about 30 per cent. and the number on Rs. 1,000 and upwards has risen from 39 to 79 or by more than 100 per cent. This increase has for the most part ocurred in the last five years, or less, being due to a great extent to the introduction of the Provincial Service Scheme recommended by the Public Service Commission.

20,142. Have you any idea what the figures would be when the rules now in force come into full operation? I understand these are actual facts?—Yes, these are actual facts. I have not made out any statement showing the ultimate result for all the departments together.

20,143. Can you give us any idea of whether, we will say 10 years hence, you would look for a very large increase. You see the last 10 years shows an increase from 1,600 to over 2,100; should you expect to see the same rate of increase continue?—I should think there would be a larger rate of increase if anything.

20,144. A larger rate, and of course under these rules there would be a tendency to work up to the maximum?—Of course it is very difficult to say to what extent the rules will actually result in the employment of natives. If qualified natives present themselves for employment in these departments they will undoubtedly be employed, but Government cannot make the natives qualify themselves. There are civil engineering colleges, for instance, in India; if natives qualify themselves at those civil engineering colleges and present themselves for examination, they will be appointed to the Public Works Department to the extent to which I have indicated; but if natives do not present themselves, the Government of India will have to fill up the appointments in some other way.

20,145. If the natives really qualified would be chosen for these appointments, that is really throwing open the service to the natives?—Yes.

20,146. Because I suppose nobody would argue for appointing unqualified natives?—No.

20,147. You have never considered, supposing the natives were to avail themselves of this qualification, what the number would rise to?—No, I have not worked out what it would rise to on the whole. I have shown what the proportion in each important department would be. For instance, in the executive and judicial departments I have stated there would be two natives to one European.

20,148. (*Mr. Jackson.*) Following out that, that means that when it arrives at its normal, assuming that they are qualified and that they had qualified themselves to come in, that ultimately the service will consist of two to one?—Of that one particular department, the Executive and Judicial Department.

20,148*a*. Quite?—Yes.

20,149. (*Mr. Caine.*) The ratio is only fixed in that one department?—No.

20,150. (*Mr. Jackson.*) There is a ratio, as I understand, in all departments?—In all departments. In the Opium Department there will be one native to three.

20,151. (*Mr. Caine.*) The ratio varies?—The ratio varies in the different departments. In the Accounts Department there will be at least one in three, and something more than that, because a certain number of subordinates are also to be promoted.

20,152. Do you know what proportion of the whole 2,110 is, Mr. Jacob; what is the total number?—I do not know what proportion it bears to the whole number of appointments on Rs. 250 and upwards.

20,153. You do not know what the total number employed there is?—No.

20,154. Do you think it is more than one half or anything approaching to one half?—I find it very difficult to say, but I should think it is more than one half.

20,155. More than one half the existing number of persons drawing this pay of all sorts?—I do not mean that there would be half on every scale of pay, because the higher appointments are held by the Europeans; but I think from Rs. 250upwards there is a greater number of natives employed than Europeans; for instance, in the Executive and Judicial Departments the proportion is about two to one.

20,156. (*Mr. Jackson.*) Would you say, Mr. Jacob, you gave us these figures and, put roughly, there had been an increase during a certain period of about 30 per cent.; has the total service grown during that period?—Very slightly; not anything approaching to that proportion.

20,157. And therefore the proportionate growth of the admission of the natives has been much greater than the growth of the service?—Yes, much greater.

20,158. (*Chairman.*) Men drawing salaries above 250 a month rising to 500 and larger salaries than that you have already got 2,000?—Yes.

20,159. You have told us you took the Civil Service roughly at 1,000 and Mr. Mowbray quoted figures to show that that would be rather in excess probably of the amount?—Yes.

20,160. And, therefore, as far as that goes you have already got as a basis here 2,110 natives as against, say, between 800 and 900 civil servants?—Yes, but these figures are not only for the Executive and Judicial Departments, these are for all departments.

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20,161. For all departments?—So that you cannot compare them with the Europeans in the Executive and Judicial Departments alone.

20,162. It seemed to me important to find that out if we could; what I see to be the effect is this: that the Indian Government is throwing open very largely the appointments to the natives, provided they are qualified, but as you have shown with great reason, it takes a long time before the due effect can be given to such regulations; you have to wait fo vacancies occurring?—Yes.

20,163. I should like very much to have some idea of what the present regulations might lead up to in the appointment of natives, assuming that they are qualified?—I think it would be almost impossible to form any estimate of that now. I may say that the Government of India has, in making the actual appointments, gone far beyond what would have been estimated at the time when the provincial scheme was introduced as the actual effect within five years. The Government of India has been able, owing to special circumstances, to introduce immediately a much larger number of natives than it anticipated.

20,164. And therefore you are able further to show that the system has not by any means obtained its full development, but you would expect to see, provided always that the natives are qualified, a considerably larger number than that 2,110?—Yes, there will be a very much larger number eventually, for instance, in the Public Works Department eventually there will be 300 out of 730 belonging to the Provincial Service.

20,165. And how many are there now. I forget whether you mentioned it?—The present number cannot be anything approaching that.

20,166. (*Mr. Mowbray.*) How does a man get into the Provincial Service now, is that by competitive examination?—Not always, I do not think there are any general orders prescribing the method of recruitment; it is left very much to the local governments to lay down the orders for each province. In some provinces they do have competitive examinations for some of the departments, but not for all, I think.

20,167. And where the competitive examinations are held, they are held in India, I suppose?—Oh yes.

20,168. (*Chairman.*) Well then, may we take it that those new rules creating the Provincial Service indicate that it is the policy of the Indian Government to increase the number of natives in the higher posts if duly qualified?—Yes. I think that is the policy of the Government of India.

20,169. I will ask you one more question, but it will be for you to consider whether you like to answer it. Of course if we may take the evidence which has been given to us by the native gentlemen who have appeared before us, I should understand them to hold that the Government of India should practically be conducted by natives; that the European element should be very small indeed. Of course, however willing the Indian Government is to extend the employment of natives, as long as England holds India, there must always be a sufficient number of Englishmen employed to insure the Government of India being carried on the principles laid down by the ruling power?—Yes, I do not think the Government of India ever pretends to conceal its views as to that point. The Public Service Commission laid great stress upon the fact that the bulk of the Executive and Judicial Departments—that is to say the ruling departments—must be Englishmen, trained up on English principles. The utmost limit in that department that the Government of India at present sets before itself in which the higher appointments can be held by natives is about one sixth.

20,170. Of the highest posts?—Of the higher posts.

20,171. That would give an idea of what the limit is to which the Indian Government think they might be able to carry the employment of natives?—Yes. That is in that one department. Of course in other departments which are not concerned with the Government of the country, you may say, such as the Public Works Department and the Accounts Department and others a very much larger proportion of natives can be employed, even in the higher grades, and will be so employed.

20,172. I confined my question to this, that a sufficient number of Englishmen must be employed to insure the Government of India being conducted on the principles which the ruling power has laid down?—Yes, I think that is the principle which the Government of India constantly sets before itself.

(*Mr. Naoroji.*) I have already stated I would make a statement of my own, therefore it is useless taking up the time of the Commission.

20,173. (*Chairman.*) You made some notes as you were going through Mr. Gokhale's evidence, and there are a few of them which I think we might just as well get upon our records. For instance, I observe that you have an amendment to make upon Mr. Gokhale's statement that Lord Ripon's Government took nothing from the Provincial Governments in 1882–1883?—Yes, that statement is correct only when all the Provincial Governments are considered as a whole. Even in that year the contracts with some of the Local Governments were revised so as to reduce their assignment, and it was this reduction which enabled the Government of India to remit Provincial Taxation in one province, and to deal more liberally with certain other provinces. It must also be borne in mind that this particular revision took place at a time when a large remission of taxation had just been effected, and when it was only natural that the provinces should be allowed to share in the general prosperity and should be treated more liberally than at periods when it was difficult to make both ends meet without imposing additional taxation.

20,174. In answer to Q. 18,185, Mr. Gokhale dwells on the increase in Army expenditure, while such departments as Education, Law, and Justice were starved. I think on that point you have a remark to make?—Mr. Gokhale is apparently referring to the general financial policy of the Government of India during the period from the Mutiny onwards; and his allegation seems to be that while Army expenditure has been largely increased such departments as Education, Law and Justice, and Police have been starved, so that it has not been possible to carry out pressing administrative reforms in them (including the separation of judicial and executive functions). I have already remarked that no one would deny that there are reforms more or less pressing which might be carried out in all departments if only funds were available; but it is not the case at all that the expenditure in the departments named has risen at a slow rate. The following figures prove this:—

—	1856–7.	Thousands of Rx.			
		1895–6. Total.	Exchange.	Balance, excluding Exchange.	Increase in 1895–6, compared with 1856–7, excluding Exchange.
Army - -	12,780	25,500	3,180	22,320	9,540
Judicial and Police.	2,586	8,088	2	8,086	5,500
Land Revenue Administration.	1,657	4,097	—	4,097	2,440
Education -	212	1,536	1	1,535	1,323
Medical -	93	1,031	5	1,026	933
	4,548	14,752	8	14,744	10,196

20,175. And, rather as opposed to Mr. Gokhale's view, you think that those figures prove, that while, no doubt, the Army expenditure has largely increased, at the same time the expenditure on what I may call domestic services has increased largely also?—Yes.

20,176. In fact in a larger ratio?—Yes.

20,177. At Q. 18,189, Mr. Gokhale makes a comparison between the present and the time when the Company's Government existed in 1852, the comparison was rather to the advantage of that Government; on that you have a remark to make, I think?—As to this statement, I may note that the expenditure on Police and Judicial Establishments, even in 1857–8, was only Rx. 2,635,000. The expenditure on education and medical relief was at the end of the five years quite insignificant. The employment of natives in the higher branches of the service was very much restricted indeed, and cannot in any way be compared with the present standard of such employment. If two crores were then spent, apart from the railway revenue account, on public works, over nine crores are now so spent.

20,177*x*. At Q. 18,335, Mr. Gokhale makes a statement to the effect that native services have not received much increase of pay to speak of. What is your opinion on that point?—Mr. Gokhale said "he does "not know a single instance in all this Finance Committee's report where native services have ever "claimed for increased pay or pensions or ever got any "concessions." As regards pay it is only necessary to refer to p. 13 of Vol. I. of the Finance Committee's Report, where the committee say, with reference to the revision of the provincial contracts in 1881–2:—"A "re-organisation of the subordinate judicial and "revenue services was being worked out, which "was to entail considerable increase of expenditure. "Bombay had a sum of Rs. 44,000 added to its income "to meet that increase. Madras and Assam were "promised whatever sum would be necessary to meet "it. The Punjab, Central Provinces, Bengal, and "North-Western Provinces had to meet it out of the "assignments made to them." I may note that the subordinate judicial and revenue services mentioned in this quotation comprise the subordinate judgeships and deputy collectorships which Mr. Gokhale refers to in Answer 18,505, as "the only branches of the public "service which are free from this practical monopoly "by European officers." They are, in fact, manned only by natives. Then, again, on p. 461 occurs the remark that "charges for subdivisional establishments "have increased slightly owing to the enhancement "of the pay of sub-deputy-collectors," all of whom are natives. Numerous other instances of concessions made to services manned exclusively by natives might easily be quoted. Similarly the change in the pension scale, under which a pension is given after 10 (instead of 15) years' service and the pensions are graduated more favourably, applied to natives as much as to Europeans.

20,178. Then taking question 18,351, Mr. Gokhale makes rather a telling quotation from some remark of the Bombay Chamber of Commerce on exchange compensation. I think on that you have some remark to offer?—Yes. The opinion of the Bombay Chamber of Commerce quoted by Mr. Gokhale was, it must be remembered, expressed in 1886, when exchange had not fallen nearly so low as it has since fallen. The rate for that year was about 1*s*. 6*d*., which is the privileged rate for the calculation of exchange compensation. On the other hand the following extract from the Homeward Mail for April 12, 1897, shows that now an entirely opposite view is held by the Calcutta Chamber of Commerce. "A letter is published in "which the Bengal Chamber of Commerce urges on "the Local Government the necessity for increasing "the pay of the judges in the High Court. It is "pointed out that owing to the fall in exchange, and "the conditions relating to pension and leave, Calcutta "judges have suffered severely, and it will be impossible "to induce civilians and barristers of high standing "to undertake the duties. The local Press warmly "supports the views of the Chamber." I may note that the Trades Association of Calcutta has since lent its support to the opinion expressed by the Chamber of Commerce and that this opinion has been expressed even after the relief granted in the shape of exchange compensation allowance had been given.

20,179. On question 18,466 Mr. Gokhale makes some remarks on the Forest Revenue, on that I think you have something to say?—I think his remarks relate to the increased charge for forests.

20,180. Yes, that is it?—With reference to that I have only to remark that the Revenue has increased by much more than the charge in the period named, so that the net revenue has risen. The provincial figures are:—

Year.	Revenue.	Charge.	Revenue.
	Rx.	Rx.	Rx.
1891–2	164,232	96,357	67,875
1894–5	187,502	103,396	84,106
Increase	23,270	7,039	16,231

The increase of Rx. 7,000 in the expenditure cannot be said to be "mainly due to exchange compensation" for the increase in that item under provincial is only Rx. 2,000.

20,181. (*Sir Ralph Knox.*) In what form does that revenue come in?—It is the revenue derived from the collection of forest dues and the sale of forest produce chiefly.

20,182. (*Chairman.*) Are there no licenses given to people to feed cattle in the forests and to take the wood?—Yes, to some extent, the revenue comes in in that way.

20,183. (*Sir Ralph Knox.*) But it is mainly the sale of the products of the forest?—Very largely it arises out of the sale of timber and other forest products.

20,184. (*Chairman.*) In question 18,493 Mr. Gokhale says "there are some Inspectors of Police who are "Europeans; he puts it at about half and half." Do you consider that an over statement of the case?—Yes. Almost all the Inspectors are natives. The latest Bombay Civil Lists show 41 natives out of a total of 46 Inspectors on duty.

20,185. You think that the one anna cess in the provincial rates is more productive, do you not, than Mr. Gokhale admits?—Yes, he said that the one anna cess was of a non-progressive character, the provincial rates have, however, risen from Rx. 214,000 in 1875–76 to Rx. 294,000 in 1895–96.

20,186. I think those are all the points to which I wish to call your attention in Mr. Gokhale's evidence, but I think you have also some comments to make upon Mr. Wacha's evidence. I will take question 17,150. Some stress was there laid upon the fact or the belief that the Civil Estimates were not available for a very long time after they had been prepared. I think it was said that nearly a year elapsed before they could be obtained?—Yes, that statement is not correct. The Civil Estimates of some of the provinces are printed off in their final shape in little more than a month after the budget is published; and the volume containing all the Civil Estimates is published about June. The dates on which the Civil Estimates of each province for 1896–97 were printed off are given below:—

India	8th June, 1896
Central Provinces	30th April, ,,
Burma	25th May, ,,
Assam	25th April, ,,
Bengal	2nd June, ,,
North-West Provinces	25th April, ,,
Punjab	28th April, ,,
Madras	3rd June, ,,
Bombay	17th May, ,,

A copy of the general volume has not been received in England, so that I cannot give the date of its issue; but, the latest date above being 8th June, the general volume must have been published within that month.

20,187. At 17,234, Mr. Courtney asked the witness whether his complaint was that in 20 years, 1872–93, the Finance Members had been too sanguine in their estimate of the rate of exchange. I think you do not think that that idea is well founded?—No, I think not. The correct answer to Mr. Courtney's question may be found in Appendix 40 to the Commission's first Report, which gives the Budget and the realised rate of exchange for each year from 1869–70 to 1895–96. The following table shows the difference between the Budget rate of each year and the realized rate of the previous year, for the last 20 years. I give the table:—

Year.	Budget.	Realized.	Excess (+) or Deficiency (−) of Budget as compared with realized rate of previous year.
	s. *d*.	*s*. *d*.	
1876–7	1 8·5	1 8·508	—
1877–8	1 9·227	1 8·791	+ ·719
1878–9	1 8·4	1 7·794	− ·391
1879–80	1 6·995	1 7·961	− ·799
1880–1	1 8	1 7·956	+ ·039
1881–2	1 8	1 7·895	+ ·044
1882–3	1 8	1 7·525	+ ·105
1883–4	1 7·5	1 7·536	− ·025
1884–5	1 7·5	1 7·308	− ·036
1885–6	1 7	1 6·254	− ·308
1886–7	1 6	1 5·441	− ·254
1887–8	1 5·5	1 4·898	+ ·059
1888–9	1 4·9	1 4·379	+ ·002
1889–90	1 4·38	1 4·566	+ ·001
1890–1	1 4·552	1 6·089	− ·014
1891–2	1 5·25	1 4·733	− ·839
1892–3	1 4	1 2·985	− ·733
1893–4	1 2·75	1 2·547	− ·235
1894–5	1 2	1 1·1	− ·547
1895–6	1 1·09	1 1·641	− ·01
1896–7	1 1·75	—	+ ·109

Mr. Stephen Jacob, C.S.I.

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The difference is not, in any case, very great; it will be clear, from the above table, that the only year in which the Government of India could be charged with taking too sanguine a view of exchange was 1877-78. When the Budget of that year was framed the circumstances were very peculiar; the rate of exchange during the first half of 1876-77 had been very low, falling at one time to but little over 1*s.* 6*d.*; but in the latter half of the year it had risen, having been, at one time, above 1*s.* 10*d.*, and not having fallen below 1*s.* 9*d.* These facts explain the high rate taken in the Budget of that year.

20,188. The Budget of 1896-97 has been criticised as an instance of a Government's disposing too rapidly of a so-called improvement, in that you do not agree?—No, I think that a more unfortunate instance could hardly have been selected. In the first place the rate of exchange adopted (1*s.* 1¾*d.*) was about a penny *below* the rate current at the time the Budget was framed; and Sir J. Westland thus explained his reasons for taking the lower rate:—"The prospects "indicated by these figures are decidedly encouraging; "but, as last year the Government of India made up "their minds to avoid any speculations as to the "future, so this year also they have determined in "their estimates to take no account of the recent, "and perhaps yet unexhausted, rise in exchange. "They consider it very important, under present "circumstances, to be on the safe side, and have fixed "the exchange to be taken in the Budget Estimates at "a rate which would certainly have been deemed wise "and prudent in the beginning of February, though "to many persons it may appear in the light of more "recent events to err on the safe side. The rate we "have taken is 13¾*d.*, being only slightly in advance "of the realised rate of 1895-96. If we could calculate "on a rate approaching the present current rate of "14¾*d.*,* the time would have come for a revision of "our general financial position; and we believe that "no one will consider our position sufficiently assured "for any such measures." It will be seen that the Government indicated no desire to show an undue "improvement" in its financial position, by catching hastily at a too high rate of exchange. It was, indeed, criticised at the time for being too cautious in this matter; and the rate actually realized for the year was 14·46*d.*, or nearly ¾*d.* above the Budget rate. Again, the method of disposal of the improvement is criticised; but in answer to these criticisms it may be pointed out that only half the improvement was utilized in reducing taxation, and that the other half was assigned to meet a charge which had long been pressed upon the Government, and which was not of a recurring nature, so that it did not affect the financial position beyond the current year.

20,189. (*Sir Ralph Knox.*) What was that remission of taxation?—That was on the cotton duties.

20,190-1. (*Chairman.*) Mr. Wacha made a statement of the increased revenue during the decade due to enhanced taxation. I think your figures very nearly agree with his, but I should like to get it on record what your calculation of the produce of increased taxation was?—I do not think Mr. Wacha's statement of the increased revenue during the decade due to enhanced taxation is open to any very serious modification. I give below the figures which he takes and the results of my own calculations, the basis of which can be reported to the Commission if desired:—

Increased Revenue due to Enhanced Taxation under the heads below.

	Mr. Wacha's figures.	My figures.
	Rx. (Thousands).	Rx. (Thousands).
Assessed taxes - -	9,879	9,020
Salt Duty - -	11,981	10,281
Customs - - -	2,135	3,065
Total - -	23,995	22,366

The difference is under 2 millions for the decade, and is, therefore, hardly worth criticising. Under customs, Mr. Wacha has understated the increase because he has taken account only of the imposition of the duties in 1894 and not of the raising of the duty on spirits and the imposition of the duty on petroleum in 1890.

20,192. (*Mr. Jackson.*) There is a good deal of difference between the figures as regards two items?—Yes, the detailed figures differ, but the totals happen to work out nearly the same.

20,193. (*Chairman.*) As to question 17,347, you think that Mr. Wacha overstated the increase in the Army charges?—Yes. The table below shows the details of the calculation on which the increase in net Army charges, excluding exchange, works out to Rx. 33,938,000. The table also shows the extent to which the fall in exchange has increased the expenditure in the 10 years as compared with 1884-85. That increase is Rx. 43,276,000 and is considerably in excess therefore of the increase in net military charges excluding exchange.

Table showing increase in charges for exchange and in military charges excluding exchange in ten years from 1885-86 to 1894-95 over the charge in 1884-85.

Year.	Exchange (Thousands of Rx.)	Military Charges (Thousands of Rx.). Net Charge including change.	Exchange. On Sterling Expenditure.	Exchange. On British Soldiers' Pay.	Exchange. Exchange Compensation.	Exchange. Total.	Net Charge excluding change.
1884-85	3,536	17,058	951	184	—	1,135	15,923
1885-86	4,290	20,062	1,145	224	—	—	—
1886-87	5,632	19,739	1,377	276	—	—	—
1887-88	6,049	21,005	1,582	437	—	—	—
1888-89	6,383	21,095	1,838	517	—	—	—
1889-90	6,758	21,518	1,851	632	—	—	—
1890-91	5,468	21,573	1,504	587	—	—	—
1891-92	7,201	23,270	2,057	407	—	—	—
1892-93	10,287	24,164	3,014	612	—	—	—
1893-94	11,523	23,863	2,913	852	277	—	—
1894-95	15,045	24,252	3,597	1,134	540	—	—
	78,636	220,541	20,878	5,678	817	27,373	193,168

Increase in Exchange.

	Rx. (Thousands)
Total charge for exchange for decade -	78,636
Deduct 10 times charge for exchange in 1884-85 (3,536) - - -	35,360
Increase - -	43,276

Increase in Military Charges excluding Exchange.

	Rx. (Thousands)
Net military charges for decade excluding exchange - - - -	193,168
Deduct 10 times corresponding charge in 1884-85 - - - - -	159,230
Increase - -	33,938

20,194. How does your figure compare with what Mr. Wacha stated?—He gives the total increase in net Army charges as 37,495,000, and my figure is 33,938,000, a difference of about 4 millions.

20,195. Do you know upon what point he would be found to differ from you?—No, I could not find out how his figures were obtained.

20,196. Because the difference is a very large one indeed?—Yes. I asked Mr. Wacha to let me know how his figures were obtained, but he omitted to do so. He told me how his figures were obtained in some instances, and I was able to convince him that it was necessary to correct his figures where a mistake had taken place, but in this case he did not show me how his figures were obtained.

20,197. (*Sir Ralph Knox.*) Did he modify his figures to any large extent?—In one or two cases he did: he was asked by the Commission to do so.

* "Has fallen during the week to 14½*d.*"

20,198. Yes, but I want to know?—I think in the most important cases, owing to the cross-examination, he was not able actually to alter the figures; but he has put a footnote to his evidence, showing what the correct figures are.

20,199. Does that absorb much of the difference between you, his correction of his figures?—Under this head do you mean?

20,200. Yes, under military charges?—No, it had not reference to the military charges at all; I am referring to other cases.

20,201-2. (*Chairman.*) As I understand, you do not know at all how he made up his figures?—No. He did not tell me; he sent me details in other cases, but not in this case. It was probably an accidental omission.

20,203. (*Chairman.*) I think you have some comment to make upon the Questions 17,472 and 17,474 in regard to railway expenditure?—Yes; Mr. Wacha's statement that the results quoted refer to the mere working of the railways, and the suggestion that they do not include interest on capital outlay are incorrect. The figures in the Railway Administration Report agree with those of the Finance and Revenue Accounts upon which the figures given by Mr. Wacha are based; for instance, the total figure given by Mr. Wacha for 1894-5, Rx. 2,348,489, as taken from the Railway Administration Report, corresponds with that given for the same year in Appendix 28 to the Commission's First Report, which is taken from the Finance and Revenue Accounts.

20,204. Then the same subject is dealt with in a question or two a little further on, and on that point I think you differ from Mr. Wacha?—Yes, Mr. Wacha's explanation of the difference from year to year in the net result is quite incorrect; the figures in the Railway Administration Report and in the Finance and Revenue accounts agree absolutely with each other. The loss varies in each year, especially with the rate of exchange, a fall in which enhances the rupee equivalent of the sterling charges for interest. The following table shows the loss on State Railways, on Guaranteed Railways, and on other Railway Revenue Charges and the total loss for each of the ten years.

Loss + (or Gain −) on Railway Revenue Account.

——	1885-6.	1886-7.	1887-8.	1888-9.	1889-90.	1890-1.	1891-2.	1892-3.	1893-4.	1894-5.
	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.
State - -	−394,881	375,061	1,121,343	1,254,616	983,920	387,297	−109,560	1,041,200	666,180	737,450
Guaranteed -	983,314	675,581	930,333	922,839	699,530	145,989	333,228	805,569	778,938	1,535,679
Other Items -	143,280	138,026	70,710	55,937	169,151	154,005	92,196	283	90,385	75,360
Total - -	731,713	1,188,668	2,122,386	2,233,392	1,852,601	687,291	315,864	1,847,052	1,535,503	2,348,489

These figures correspond exactly with those given in Appendix 28, and their total sums up to Rx. 14,862,959. It will be seen that the variations from year to year are very great, the loss varying from Rx. 315,864 in 1891-2 to Rx. 2,348,489 in 1894-5. The figures given in answer to Question 17,480 are incorrect, the exchange figures especially so. In 1893-4 the exchange in the Railway Revenue Account amounted to Rx. 3,732,878 and in 1894-5 to Rx. 4,774,565. In every year except one the charge for exchange exceeded, and in many years largely exceeded, the net loss on the railways, and its effect on the net result of that account is much larger than would be inferred from the figures for exchange given by Mr. Wacha. This is illustrated by the following table, which shows for each of the 10 years the exchange included in the net loss as above and the gain apart from exchange.

Year.	Net loss as above.	Exchange.	Gain excluding exchange.
	Rx.	Rx.	Rx.
1885-6 - -	731,713	1,594,814	863,101
1886-7 - -	1,188,668	1,987,178	798,510
1887-8 - -	2,122,386	2,268,780	146,439
1888-9 - -	2,233,392	2,629,783	396,391
1889-90 - -	1,852,601	2,517,090	664,489
1890-1 - -	687,291	1,862,886	1,175,595
1891-2 - -	315,864	2,454,430	2,138,566
1892-3 - -	1,847,052	3,443,258	1,596,206
1893-4 - -	1,535,503	3,732,878	2,197,375
1894-5 - -	2,348,489	4,774,565	2,426,076
Total - -	14,862,959	27,265,662	12,402,703
1895-6 - -	1,620,268	4,366,814	2,746,546

The net loss of nearly 15 millions is converted into a net gain of nearly 12½ millions if exchange is excluded. I have added at foot of the table the figures for 1895-6, the latest year the accounts of which have been closed.

20,205. I think you have a comment to make upon 17,568 in which the witness was speaking of the rates of interest paid on loans in India?—Yes, Mr. Wacha's answer is not correct. The Government of India at one time borrowed at 6 per cent. in India and it has borrowed at various times at 5½, 5, 4½, 4, 3½ and 3 per cent.

20,206. (*Sir Ralph Knox.*) That is in India?—Yes.

20,207. (*Chairman.*) I think in question 17,706 Mr. Wacha states it is impossible to understand on what principle the Indian Midland and Bengal and Nagpore Railways are considered to be protective railways in reference to the Famine Relief Fund. Perhaps you will tell us why they were reckoned as such?—The Indian Midland and Bengal Nagpore Railways have been held to be protective railways on the same grounds as other protective railways. They met the needs of tracts, which were mentioned by the Famine Commissioners as needing protection. The net charge is brought to account in the Railway Revenue Account; but it was decided that the net loss on these railways should be taken in reduction of the Famine Insurance Grant, because it was recognized that they would not pay commercially, and Government represented that it could not both bear the loss upon them in the Railway Revenue Account and at the same time provide the full amount of the Famine Insurance Grant. The alternatives were therefore either that their construction be delayed until the capital cost could be met out of the Famine Insurance Grant or that the net charge on their working be taken in reduction of that grant.

(*Chairman.*) That makes up all the questions referred to in the memorandum that you have placed before us. I do not know whether any member of the Commission has any questions.

20,208. (*Sir Ralph Knox.*) Were those two railways included in the original recommendations of railways for protective purposes?—They were not specified by name, but they provide for the protection of tracts which were mentioned by the Famine Commissioners, and they were specially mentioned as protective railways in the Report of the Parliamentary Committee of 1884. The Commission distinctly stated its opinion that they were protective in character. I may perhaps add, with reference to the Chairman's remark, that there are several criticisms that might be made on the evidence of Mr. Banerjea and Mr. Iyer, but I have not submitted a formal note about them, because most of the points have been covered by the general evidence which I have given on the working of the provincial contract system, and the employment of natives in the public service. There are a few other cases in which their figures are incorrect, but I do not think it is necessary to point them out in detail.

20,209. (*Chairman.*) Thank you. I think we quite understand that you have called our attention to those points upon which there is such a divergence, as it is desirable to explain?—Yes.

The witness withdrew.

Adjourned.

APPENDICES.

(Further Appendices handed in since the Publication of the First Report.)

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APPENDIX No. 66.

Handed in by Sir H. Waterfield, K.C.S.I., C.B. (with reference to Question 680, et seq.).

NOTE on the ALTERATION of DUTIES between 1880–81 and 1893–94 under the heads of STAMPS, EXCISE, PROVINCIAL RATES, and REGISTRATION (compiled from information obtained from the SECRETARY to the GOVERNMENT OF INDIA in the FINANCE DEPARTMENT).

STAMPS.

The rates of non-judicial stamp duties are contained in the schedules to Act I. of 1879. They have not been increased since; the chief alteration is in the reduction by Act I. of 1888 of the duty on policies of insurance.

The Court fees were prescribed by Act VII. of 1870, and, though subsequently modified, the alterations have not been made with the intention, and, it is believed, not with the effect, of increasing the fees.

EXCISE

Liquor.—The following statement gives a comparison, as far as is practicable, of the rates of still-head duty in force in 1880–81 and 1893–94, per Imperial gallon, London proof:—

—	1880–81.	1893–94.
Bengal:—	Rs. as.	Rs. as.
Burdwan	4 0*	3 0 to 5 0
Midnapore	4 0*	3 12*
Hooghly, 24 Parganas, Nuddea, Jessore, and Khulna	4 0*	4 0 to 5 0
Calcutta and Howrah	4 0	5 0
Murshidabad	3 8*	4 6
Cuttack	2 0*	2 0*
Balasore and Puri	2 0*	2 0
Sonthal Parganas	1 8 to 2 0	2 0
Hazaribagh	1 8*	2 0*

(In other districts the comparison cannot be made, as the outstill system was in force in one or both of the years.)

N.-W. Provinces and Oudh	1 0	1 8 from 23 to 27 U.P. 1 0 from 48 to 52 U.P.
Punjab	No change.	
Madras:—		
Madras	4 9 to 4 14	3 12 to 4 11
Nilgiris	4 0	5 0
Malabar	4 0	1 9 9 to 5 0
Salem	3 3	3 12
Chingleput and North Arcot	3 3	3 12
Bellary and Anantipur	2 14 to 4 0	3 12 to 4 6
Cuddapah, Tanjore, and Coimbatore	2 14	3 12
South Arcot	2 14	1 14
Nellore and Trichinopoly	2 8	3 12
Karnul	2 8	1 14 to 3 12
Ganjam and Vizagapatam	2 8	1 14
Madura and Tinnevelly	2 2	3 12

(In 3 districts the outstill system was in force in 1880–81.)

—	1880–81.	1893–94.	
	25° U.P.	25° U.P.	60° U.P.
Bombay:—	Rs. as.	Rs. as.	Rs. as.
Ahmednagar, Poona	2 8	3 10	—
Satara	2 8	3 8	—
Sholapur	2 8	3 4	—
Bombay	2 4	2 1 6 to 3 0	1 1 10
Ahmedabad	2 0	0 12 to 2 6	0 6 to 1 5
Broach	2 0	2 4 to 2 6	1 4 to 1 5
Surat	2 0	1 8 to 2 8	0 11 to 1 6
Kolaba	1 12	2 4	1 2
Thana	1 12	1 4 to 2 4	0 10 to 1 2

(In 9 districts the outstill system was in force in 1880–81.)

—	1880–81.	1893–94.
	Per Seer of Mhowa.	Per Seer of Mhowa.
Central Provinces:—	A. p.	A. p.
Raipur	1 3	1 6
Seoni	1 0	1 6
Hoshangabad	0 9	0 9 and 1 0
Bhandara, Chanda, Balaghat, Jabalpur, and Saugor	No change.	

(In many of the districts contract stills and outstills are also in force. In 9 districts the systems do not admit of comparison.)

Assam, *Burma*: The outstill system was in force in both years.

For spirits manufactured in Burma after European method	Per gallon. 4 0	Per gallon. 6 0

Sale of Excise Opium.

—	1880–81.	1893–94.
	Per Seer. Rs. Rs.	Per Seer. Rs.
Bengal:—		
Cuttack, Puri, and Balasore	29 to 32	32
Midnapur	27 to 29	30
Burdwan, Bankura, Birbhum, Hooghly, Howrah, 24 Parganas, Calcutta, Nadia, Murshidabad, Jessore, Khulna, Rajshahi, Dinajpur, Darjiling, Noakhali, Chittagong, Purnea, Maldah	26 to 28	28
Jalpaiguri, Rampur	26 to 28	30
Bogra, Pubna	26 to 28	29

* Partly under Central Distillery system.

——	1880–1.	1893–4.
	Per Seer. Rs.	Per Seer. Rs.
Bengal—cont.		
Dacca	26 to 27	29
Mymensing, Tipperah	26 to 27	30
Faridpur, Backerganj	26 to 27	27
Lohardaga, Manbhum, Singbhum	25 to 26	26
Hazaribagh and Palamau	25 to 26	20
Sonthal Parganas	20 to 22	24
Bhagalpur	20 to 22	22
Monghyr	18 to 20	20
Patna, Gya, Shahabad, Sarun, Champarun, Muzaffarpur, Durbhanga	No change.	
N.W. Provinces :—		
12 Eastern districts	No change.	
25 Central „	16	17
11 Western „	16	18
Punjab :—	Per Acre.	Per Acre.
Umballa, Simla, Kangra, Shahpur, Dera Ghazi Khan (the only important opium-growing districts)	No change.	
All other districts	2	4

Note.—Under the rules in 1880–1, Malwa opium could only be obtained on payment of the full duty of 10 rupees a seer, and the import of Ghazipur opium was not allowed, but neither rule was properly enforced. In 1893–4, licensed vendors could import a specified quantity on paying 3 rupees a seer; and the Government could obtain a supply of Benares opium, which was sold for ·15 rupees a seer in the old Delhi division, and 13 rupees elsewhere.

Madras.—No change.

——	1880–1.	1893–4.
	Per lb. Rs.	Per lb. Rs.
Bombay.—No change in duty. Rate of issue from British depôts to licensed vendors	13 to 13 12	9 to 10
Central Provinces :—	Per Seer.	Per Seer.
Sironcha, treasury price	22	20
Elsewhere	No change.	
Assam	26	37
Burma :—		
Arakan	24	28
Elsewhere	24	32

Sale of Ganja and other Hemp Drugs.

——	1880–1.	1893–4.
	Per Seer. Rs.	Per Seer Rs.
Bengal :—		
Orissa division	3 8 to 4	3 8 to 6 8
Other parts	3 8 to 4	6 to 8
N.W. Provinces.—License fees	Little change.	
Punjab.—License fees	No change.	

Madras.—License fees introduced in 1889.

Bombay.—Up to December 31, 1880, only license fees; thenceforward also a duty on transport of 5 rupees if the quantity does not exceed 10 maunds, and one rupee for every additional 2 maunds.

Central Provinces.—In 1880–1 a duty of 2 rupees a seer. In 1893–4 the same duty, but the contractor also, according to tender, paid a price for every seer sold by him to retailers whom he supplied at 3 rupees a seer. In Sambalpur and Sehawa the duty in 1893–4 was 1 rupee, and the wholesale price 2 rupees, per seer.

——	1880–1.	1893–4.
	Rs.	Rs.
Assam	3 8 to 4	6 to 8
Burma.—Not allowed	—	

Toddy.

Madras.—In 1880–1 the right of obtaining supplies from trees within a certain area was farmed. In 1893–4 this system had in many localities been replaced by one of license fees on each palm tree. This is the chief point in which taxation under the head of *Excise* has been increased.

Provincial Rates.

The increase in the income is mainly attributable to four causes:—

(*a.*) Legalisation of new imposts. This cannot be authorised by the Provincial Governments; but legislative sanction may be obtained, at their request, by the Imperial Government, so that it may be said that additional cesses are the result of the system of decentralization.

(*b.*) Rise in the rate of cesses which had not been levied up to the maximum allowed by law.

(*c.*) Increase in the amount of Land Revenue upon which cesses are levied. This arises from improved administration, extension of irrigation and cultivation, improvement of the standard of agricultural practice, rise in rents, and more careful methods of assessment.

(*d.*) Direct improvements in the administrative collection of the cess income. Grantees who held their estates revenue—free or at favourable assessments used to pay cesses only on the revenue paid to the Government, but have in several provinces been gradually made to pay cesses on a full assessment, as the districts came under re-settlement. The influence of this cause is, however, comparatively small. In other cases cesses formerly realized directly by the person for whose maintenance they were levied, and not brought into the accounts, are now paid into the Government Treasury and administered like other income; but in such cases there is no increase of taxation.

Registration.

Various alterations have been made in the schedules of fees in the several provinces, but they have had no appreciable influence on the taxation. The general tendency has been to reduce fees on documents of lower values, and (if there has been any increase at all) to increase those on documents of higher values.

APPENDIX No. 67.

EXPENDITURE IN ENGLAND ON GENERAL ADMINISTRATION.

(Statement handed in by Sir Henry Waterfield, K.C.S.I., C.B., with reference to Answer 11,561.)

	1875–76.	1893–94.	Increase.	Decrease.
India Office :	£	£	£	£
Salaries	136,859	133,808	—	3,051
Audit Department	4,410	6,724	2,314	—
Store Department (wages, rent, &c.)	25,177	26,855	1,678	—
Banks of England and Ireland, for management of debt	18,385	44,938	26,553	—
Law charges	2,348	110	—	2,238
Telegrams to India	3,450	6,784	3,334	—
Postage of despatches to and from India	6,382	1,208	—	5,174
Contingencies, &c.	13,290	13,132	—	158
Total	210,301	233,559	23,258	—
Payments for the Government of India :—				
Passage and outfit of—				
Governor-General of India	5,000	3,500	—	1,500
Governor of Madras	2,500	—	—	2,500
Two members of the Council of the Governor-General	1,700	—	—	1,700
Passage of officers on the Staff of the Governor-General	—	150	150	—
Expenses attending the deputation of Sir Louis Mallet, C.B., to India.	1,750	—	—	1,750
Portraits of Lords Amherst, Canning, and Lawrence, for Government House, Calcutta.	709	—	—	709
Expenses in connexion with the Indian Currency Commission, &c.	—	22	22	—
Books and newspapers supplied to India not invoiced as Stores	2,307	1,717	—	590
Currency notes, &c.	8,778	26,864	18,086	—
Total	22,744	32,253	9,509	—
Grand Total	233,045	265,812	32,767	—

(with reference to Q. 13908.)

YEARS ENDED 31 ST MARCH.

MILLIONS Rx

78 77 78 79 80 1 2 3 4 5 6 7 8 9 90 1 2 3 4 5 6

Rx 66

Rx 65

Rx 60

Rx 55

Rx 50

Rx 45

Rx 40

Rx 35

Rx 30

Rx 25

Rx 20

Rx 5

Net Expenditure of the Government of India

(1) *Total Expenditure*

(2) *Total Expenditure (Excluding Exchange)*

(3) *Civil & Military Exp:*

(4) *Civil & Military Exp: (Excluding Exchange)*

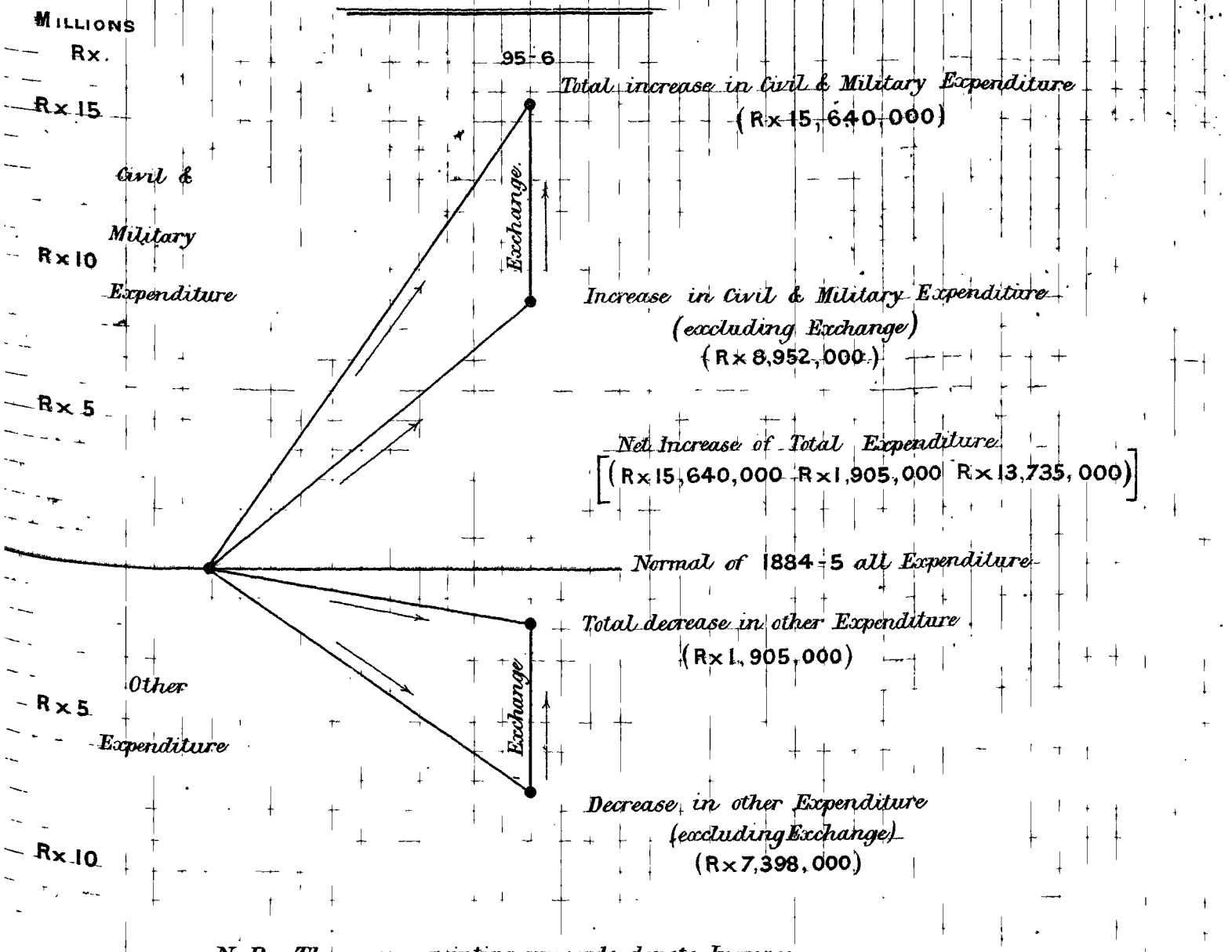
(5) *Military Expenditure*

(6) *Military Expenditure (Excluding Exchange)*

CHART ILLUSTRATING TABLES I & III OF MEMORANDUM ON INDIAN FINANCIAL EXPENDITURE. *(See Appendix 11, Vol. II., First Report)*

(with reference to Q.13921.)

EXPENDITURE OF GOVERNMENT OF INDIA
INCREASE 1884-5—1895-6.



N.B. The arrows pointing upwards denote Increase, these pointing downwards denote decrease.

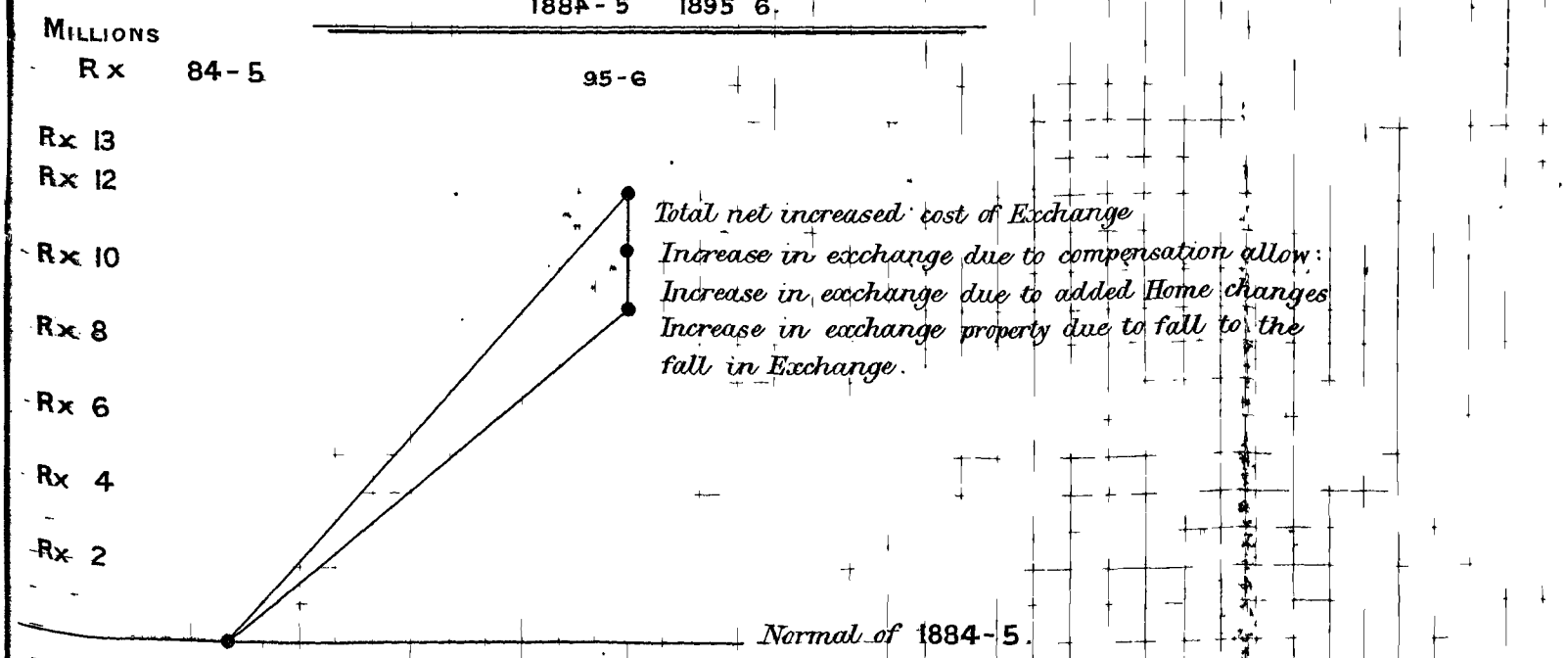
CHART ILLUSTRATING TABLE VI OF MEMORANDUM ON INDIAN FINANCIAL EXPENDITURE. *(See Appendix 11, Vol. II., First Report.)*

Sep. 31/1900.

(with reference to Q.13946)

A — Analysis of Increased Cost of Exchange

1884-5 1895 6.



B — Farther Analysis of Increased Cost of Exchange shewing incidence on different portions of the Expenditure.

1884-5 1885-6.

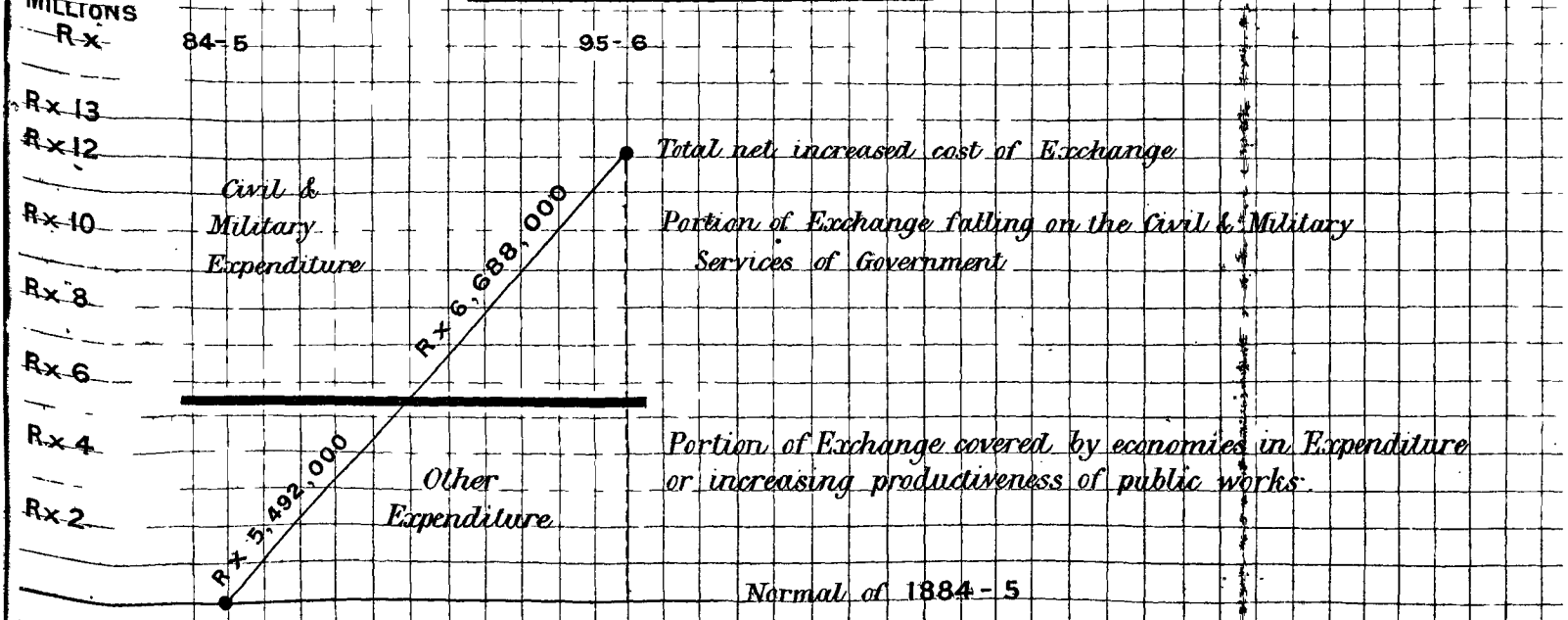


Chart in farther illustration of Table VI of Memorandum on Indian Financial Expenditure. *(See Appendix 11, Vol. II, First Report.)*

524.3.1900.

E. Weller & Grahams Lth. Litho. London.

APPENDIX No. 72.

Handed in by Sir Henry Waterfield, K.C.S.I., C.B. (with reference to Q. 14,966).

ELASTICITY of REVENUE.—INCREASE from 1883-84 to 1893-94.

——	1883–84.	1893–94.	Increase.
	Rx.	Rx.	Rx.
Land revenue	22,361,899	25,589,609	3,227,710
Salt	6,145,413	8,228,876	2,083,463
Stamps	3,513,201	4,509,351	996,150
Excise	3,836,961	5,388,573	1,551,612
Provincial rates	2,878,731	3,514,571	635,840
Customs	1,187,266	1,682,373	495,107
Assessed taxes	526,087	1,739,171	1,213,084
Forest	1,052,900	1,723,022	670,122
Registration	258,955	416,146	157,191
Tributes	720,487	774,337	53,850
	42,481,900	53,566,029	11,084,129
Opium	9,556,501	6,627,571	2,928,930
Total Principal Heads	52,038,401	60,193,600	8,155,199
Interest	856,255	875,487	19,232
Post Office, Telegraph, and Mint	1,677,337	2,747,714	1,070,377
Civil departments	1,428,518	1,631,302	202,784
Miscellaneous	748,211	999,149	250,938
Railways	11,960,157	20,296,973	8,336,816
Irrigation	1,612,579	2,296,409	683,830
Buildings and roads	552,113	674,354	122,241
Military departments	968,219	850,226	117,993
	71,841,790	90,565,214	18,723,424

Increase in cost of collection, Principal Heads, Rx. 1,473,983.

APPENDIX No. 73.

Handed in by Sir Henry Waterfield, K.C.S.I., C.B. (with reference to Qu. 15,494).

No. 1.

LETTER from the GOVERNMENT OF INDIA, July 22, 1881, No. 196 (Financial).

MY LORD MARQUIS,

WE have the honour to forward, for your Lordship's information, a copy of our Resolution in the Department of Finance and Commerce, No. 1900, dated the 22nd July 1881, defining the duties of our Accountant-General in the Military Department, and laying down the official relations of the Comptroller-General with the account officers of the Military and Public Works Departments (including the Accountants-General of those departments) and the Post Office.

We have, &c.

RIPON.
D. M. STEWART.
W. STOKES.
RIVERS THOMPSON.
J. GIBBS.
E. BARING.
T. F. WILSON.

Enclosure in No. 1.

RESOLUTION.—By the GOVERNMENT OF INDIA, Department of Finance and Commerce, dated 22nd July 1881, No. 1900.

1. In Financial Despatch No. 46, dated 27th January 1881, the Right Honourable the Secretary of State communicated with his orders the report of a committee appointed to inquire into the existing system of military accounts in India, and in paragraph 4 of that despatch it was stated that the Committee—

"Further consider it necessary to define more clearly the duties of the Comptroller-General and of the Military Accountant-General, and they make certain specific recommendations, which are detailed in the 23rd paragraph of their report, and of which I approve."

2. The recommendation of the Committee regarding the relative positions of the Comptroller-General and the departmental account officers was as follows:—

"That the respective duties of the Comptroller-General and the Military Accountant-General, and their official relations towards each other, be more clearly defined than they are at present. The Comptroller-General should be the chief authority in all matters affecting the mode of keeping the public accounts, including those of the military and other spending departments. He should be held solely responsible for the general finance accounts, and should be the recognised channel for information in regard to the financial position as indicated by those accounts. He would therefore be answerable for watching the issues for military and all other services, and keeping the Government closely informed as to the actual progress of both revenue and expenditure. He should be required to send to the Military Accountant-General monthly statements of the total issues from civil treasuries for military services, including all charges incurred and paid by the Civil Department for military purposes; and he should require from the Military Accountant-General monthly statements exhibiting, on one side, the moneys received from civil treasuries and other military receipts, and per contra the amount of expenditure actually audited, and the sums remaining to be audited and accounted for. He should be empowered to call for any explanations which he may at any time consider necessary, especially in regard to outstanding or unsettled charges.

"The Military Accountant-General should occupy the position and exercise the authority of a Deputy Secretary for Finance in the Military Department, retaining his present duties, and being specially charged with the function of watching and reporting upon the current military expenditure; his responsibility for the due and proper conduct of the departmental audit of military expenditure and for the prompt adjustment of outstanding advances being assimilated to that which attaches to the Comptroller-General in regard to the Civil Department. It would be necessary for him to keep such books as would enable him to consolidate the accounts of the military controllers, and to compare the expenditure as it proceeds (under the various heads and subheads) with the amounts of the sanctioned grants. He should require the several Controllers of Military Accounts to transmit to him immediately after the close of each month, or at such other periods as may be found convenient, statements of all milltary drawings of every kind upon civil treasuries in the period just ended, and such other financial returns as will ensure his being in a position at all times to advise the Government of the actual and anticipated progress of military expenditure. He should also require every military disbursing officer who now renders cash balance reports to forward direct to him monthly abstract statements of receipts and expenditure, and of the balances in hand at the commencement and close of the month. He should sign the separate accounts of audited military expenditure appended to the finance accounts, and be answerable for their accuracy."

3. In directing, in general terms, the adoption of this recommendation as defining the general functions of the Comptroller-General and the officers of the Military and other Account Departments, the Governor-General in Council has resolved to place the Controllers of Military Accounts in immediate subordination, in all matters of account, to the Comptroller-General.

4. According to the system of the Civil Account Department, the Accountant-General (to whose position that of the Controller of Military Accounts corresponds) exercises his office in subordination to three different authorities:—

1. To the Comptroller-General, to whom his accounts are rendered; who also determines, under the general instructions of the Government, the form of the accounts, sees that as accounts they are properly kept and punctually rendered, and generally directs all questions of account procedure.
2. To the Local Government, to whom the Accountant-General is bound to give all the information arising out of his accounts which is required for administrative purposes, and in consultation with whom the Accountant-General must regulate the procedure of his own office in those matters in which it comes in contact with the Administrative Departments.
3. To the Government of India in the Financial Department, in respect of all questions arising on audit, and of the administration of his own office.

5. In regard to the first of these matters, the Controllers of Military Accounts will have the same relation to the Comptroller-General that the Civil Accountants-General have. They will render their accounts to him in such form as he may direct, and must be prepared to give any explanations which he may require. It will be the Comptroller-General's duty to see that the accounts are punctually and properly prepared by the Controllers, and rendered to him; and especially that they work up to, and fit in with, the accounts received by him in other departments. He will have the general direction of the detailed accounting work in respect of deposits, advances, and accounts with other departments. He will take measures (as in the case of Civil Accountants-General) to satisfy himself that the work of audit and account is efficiently maintained, and is kept up to date, the responsibility for the manner in which the business of the different offices of military account is conducted resting, however, on the Accountant-General, Military Department.

6. In the other two matters, the Controllers of Military Accounts will be directly subordinate to the Government of India in the Military Department, rendering to that department such accounts and returns as it may desire, and referring to it, for orders, all matters which are not pure questions of account, or which affect officers or departments, not their own subordinates.

7. The Accountant-General of the Military Department will be a deputy secretary in that department, whose special function it will be to deal with all matters that arise in connexion with military finance or with the Military Account Department. His duty will be to obtain the fullest information (from the controllers especially, but from other officers also, for purposes of check or of early information) regarding military receipts or outgoings, and to record it in such form as may be best adapted for bringing out their effect and their results. It will be his duty, not only to keep the Government in the Military Department informed regarding receipts and expenditure, but to bring to its notice any point of administrative importance or interest which arises out of the information received by him. The military estimates will also be in his special charge, both in respect of their original compilation and in the subsequent comparison with them of the actual progress of receipts and expenditure.

8. The above orders relating to the Military Department apply also to the Marine Department; and as regards the other departments (Public Works and Post Office), the present relation of the Accountant-General of the Department, Public Works, and the Comptroller, Post Office, is nearly in confermity with that recommended by the India Office Committee. These two officers will render their accounts, as at present, to the Comptroller-General; and, while the Comptroller-General will be responsible for compiling the general figures of them, and keeping the Government in the Finance Department generally informed regarding the receipts and expenditure on military account, it will be for the departmental account officers to maintain the more detailed accounts and statements necessary for the information of the Government, and the effective financial control of their departments.

9. No alteration will be made in the system by which the Accountant-General, Department Public Works, receives and compiles the accounts of the Examiners of Public Works Accounts, and maintains the general accounts of the Public Works Department.

10. The officers and accounts of the Controllers of Military Accounts, of the Examiners of Public Works Accounts, and of the Comptroller to the Post Office, will be open to the inspection of the Comptroller-General and his inspecting officers; but in the case of the Examiners of Public Works Accounts, any instructions arising out of the inspections will be communicated through, and in consultation with, the Accountant-General of the Department Public Works, who will continue to be immediately responsible for the proper working of the Examiners' offices.

No. 2.

LETTER from the GOVERNMENT OF INDIA, August 26th, 1881, No. 314 (Military).

MY LORD MARQUIS,

IN our Resolution, No. 1900, dated 22nd July 1881, in the Department of Finance and Commerce, effect was given to the orders contained in your Lordship's Financial Despatch, No. 46, dated 27th January 1881, upon the inquiry lately instituted by you into the existing system of military accounts in this country.

2. In accordance with the terms of that resolution, the Accountant-General to the Military Department has been appointed* a deputy secretary in that Department, but the services of this officer cannot be utilised to the proper extent, unless his office be strengthened. It has been, indeed, apparent for some time that, quite apart from the above change, the duties devolving on the Accountant-General, Military Department, are more than can be performed to the best advantage by that officer, with the help of only an Assistant Accountant-General, and that the appointment of Deputy Accountant-General, which has been in abeyance since it became vacant in 1878, ought to be filled up.

3. In the despatch of the Government of India, No. 312, dated 16th September 1878, it was proposed that this appointment should not be filled up; and

* G.G.O. No. 413, of 1881.

Viscount Cranbrook, in his Financial Despatch, No. 415 dated 28th November 1878, confirmed the proceedings. But we are now satisfied that this was a mistake, and that, having regard to the great financial interests involved in dealing with the expenditure of the army, the appointment of Deputy Accountant-General ought to have been maintained. It is not only that the army expenditure amounts in the aggregate to a very large part of the total public expenditure of the country; the complicated and variable nature of the items which make up the military expenditure renders necessary a special and minute degree of constant supervision, while the tendency manifested in all branches to submit proposals for administrative changes and improvements, usually involving an increased outlay, calls for the exercise of unceasing vigilance and detailed scrutiny of the claims preferred. In the interests of economy, therefore, it appears desirable that the chief office of control and account of army expenditure should be strong enough to carry on its work in a thoroughly efficient manner. The Accountant-General, with whose zeal and ability we have every reason to be satisfied, reports that with his present establishment he can barely keep pace with the current duties, while many important questions which need investigation cannot be taken up, or cannot be handled in an adequate manner. This is not conducive to practical economy in the financial administration of the army in India. It is, moreover, very desirable to have a competent officer in training, who might take the place of the Accountant-General in case of his vacating an appointment which requires large experience in military finance.

4. We consider, therefore, that it is very necessary that the appointment of Deputy Accountant-General, which has been in abeyance since 1878, should be filled up again, and we accordingly recommend this for your Lordship's sanction. The salary of this appointment was Rs. 1,500, rising to Rs. 1,750; but, after consideration of the matter in the Financial and Military Departments, we propose that it be now fixed at Rs. 1,200, rising to Rs. 1,600 by annual increments of Rs. 80.

5. In pursuance of the arrangement under which the Accountant-General has been made ex-officio Deputy Secretary in the Military Department, we have considered it expedient to form a finance section of that Department, in which matters relating to accounts shall be dealt with direct by the Accountant-General in his capacity as Deputy Secretary. The establishment proposed for this section is detailed below,* and we solicit your Lordship's sanction to the appointment of the clerk on Rs. 300, rising to Rs. 400 per mensem.

We have, &c.
RIPON.
D. M. STEWART.
W. STOKES.
RIVERS THOMPSON.
J. GIBBS.
E. BARING.
T. F. WILSON.

No. 3.

EXTRACT from DESPATCH to the GOVERNMENT OF INDIA October 13th, 1881, No. 303 (Financial).

8. The investigation has drawn my attention to the fact that the compilation of the estimates of the various Departments has in recent years been taken away from the Comptroller-General, and removed entirely into the Financial Secretary's office. I request your Excellency to consider whether such a measure is calculated to promote the efficiency of the service, and whether it would not be desirable to associate the Comptroller-General with the Financial Secretary in the performance of this duty. Such a step would, of course, in no degree weaken the responsibility of the latter for satisfying himself that the estimates have been prepared in a proper manner, and that they do, in fact, represent that which they are placed before the Government as denoting.

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* One clerk on Rs. 300, rising to Rs. 400; 1 clerk on Rs. 110, rising to Rs. 180; 1 clerk on Rs. 70, rising to Rs. 100.

No. 4.

DESPATCH to the GOVERNMENT OF INDIA, November 3, 1881, No. 321 (Financial).

MY LORD MARQUIS,

YOUR Excellency's letter of the 22nd of July last, No. 196, forwarded, for my information, a copy of a resolution* of your Government, defining the duties of your Accountant-General in the Military Department, and laying down the official relations of the Comptroller-General with the Account officers of the Military and Public Works Departments (including the Accountants-General of those Departments) and the Post Office.

2. In your Excellency's further letter of the 26th of August last, No. 314 (Military), you state that, in accordance with the terms of that resolution, the Accountant-General of the Military Department has been appointed a Deputy Secretary in that Department, and you observe that "the services of this officer "cannot be utilised to the proper extent unless his "office be strengthened." With this view you propose that the appointment of Deputy Accountant-General in the Military Department, which has been in abeyance since 1878, should be again filled up, with a salary attached to it of Rs. 1,200, rising to Rs. 1,600, per mensem, by annual increments of Rs. 80.

3. This appointment, on the salary mentioned, is sanctioned.

4. You further observe that, in pursuance of the arrangement under which the Accountant-General has been made *ex officio* Deputy Secretary in the Military Department, you have considered it expedient to form a Finance Section of that Department, in which matters relating to accounts shall be dealt with direct by the Accountant-General in his capacity as Deputy Secretary; and you propose an establishment for this section at a total cost of Rs. 480, rising to Rs. 680, including the appointment of a clerk on Rs. 300, rising to Rs. 400, per mensem, for which you solicit my sanction.

5. I should have thought that, in carrying out the proposed changes, clerical labour would have been saved, both in the Accountant-General's and Military Secretary's office; and I request, before giving my sanction to the appointment of a clerk at the salary mentioned, that you will furnish me with further information showing the necessity for the contemplated addition to the staff of the existing establishment.

I have, &c.
HARTINGTON.

No. 5.

LETTER from the GOVERNMENT OF INDIA, October 17, 1882, No. 319 (Financial).

MY LORD MARQUIS,

WITH reference to paragraph 8 of your Lordship's Despatch, No. 303, dated the 13th October 1881, we have the honour to forward a copy of the instructions which we have issued with a view to associate the Comptroller-General with the Financial Secretary in the compilation of the estimates of the various departments.

2. In connexion with this subject, we wish to make a few remarks on the responsibility of the Financial Secretary for the correctness of the Military Estimates. Under the orders now given, the Comptroller-General is bound to attend specially to the reconciliation of the departmental figures (both actuals and estimates) with the payments into, and issues from, the treasuries; and it is also his duty to work out the adjusting entries, which connect the audited figures of the Military Account Department with the net issues from the treasuries.

3. The responsibility of the Financial Department for the Military Estimates is necessarily limited by the means which that Department possess for checking these estimates. The Financial Secretary has before him the recorded figures of receipts and expenditure in past years; he also knows the receipts and issues at the Civil treasuries to the end of the latest month, and he necessarily possesses some knowledge of any

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* No. 1,900, dated the 22nd of July 1881.

important measures which are likely to affect the Military Estimates; but the information in the possession of the Financial Department is not sufficient to enable that Department either to check the Military Estimates in detail, to form a sound opinion on the sufficiency of the estimate in case of war, or to exercise any effective control over the details of the military expenditure during the currency of the year. The main responsibility for framing the Military Estimates, and the whole responsibility for controlling the military expenditure during the currency of the year, except in so far as a rate of expenditure in excess of the estimates may be shown by the issues from the Civil Treasury, will rest, therefore, with the Military Department.

We have, &c.
RIPON.
D. M. STEWART.
J. GIBBS.
E. BARING.
T. F. WILSON.
C. P. ILBERT.
S. C. BAYLEY.
T. C. HOPE.

Enclosure in No. 5.

The SECRETARY TO THE GOVERNMENT OF INDIA, Department of Finance, to the COMPTROLLER-GENERAL.

(No. 609.) January 30, 1882.

I am directed to forward, for your information, an extract, paragraph 8, from a despatch from Her Majesty's Secretary of State, No. 303, dated 13th October last, and to inform you with reference thereto that your proposal, submitted demi-officially, by which the Comptroller-General will be associated with the Financial Secretary in the compilation of the estimates, is approved.

2. Under the new system—

(*a.*) The civil estimates will be considered in detail by the Secretary, as at present, on their receipt from the various departments and officers. The Comptroller-General will note on any of them if he finds necessity for so doing.

(*b.*) The estimates of Forest, Post Office, Telegraph, Marine, Military, Public Works, and Ways and Means will be handed up to the Secretary by the Comptroller-General with a note. The Comptroller-General will give special attention to the reconciliation of the departmental figures (both actual and estimates), with the payment into, and issue from, the treasuries, and, in the case of the military estimates, will work out the adjusting entries which connect the "audited" figures of the Military Account Department with the net issues from the Treasury.

(*c.*) The "Budget notes," as passed by the Secretary, will be compiled by the Comptroller-General in a set of forms which harmonise with his regular accounts, and will be useful to him for comparison and check throughout the year.

(*d.*) The Financial Secretariat will simultaneously compile the same notes into its usual forms, which are so framed as to be a connecting link with the Provincial Governments and Accountants-General.

(*e.*) The final result brought out by the Secretariat will be compared with that produced by the Comptroller-General, and discrepancies, if any, will be reconciled. As the two results will have been worked out from the same original data, by two totally different processes, the check will be complete, and accuracy will be ensured.

No. 6.

DESPATCH to the GOVERNMENT OF INDIA, December 14, 1882, No. 391 (Financial).

MY LORD MARQUIS,

I HAVE considered in Council your Excellency's letter, dated the 17th of October last, No. 319, forwarding a copy of the instructions which you have issued with a view to associate the Comptroller-General with the Financial Secretary in the compilation of the estimates of the various departments. The instructions appear to be well calculated to obtain accuracy in their preparation.

2. With reference to your remarks regarding the departmental responsibility for the military estimates, it appears to me that, in regard both to the military and public works estimates, it is with those departments that the responsibility for the sufficiency and moderation of the estimates in the first instance, and for the control of the current expenditure, must rest; and that the action of the Financial Department must be limited to the exercise of due care, that *primâ facie* the estimates properly exhibit the authorised charges on account of the several services of the year, and that the expenditure is not proceeding at a rate unwarranted by the sanctioned estimates, in which case the matter should be at once brought to the notice of your Government.

3. With such safeguards, I trust that the Government of India would never remain long in ignorance of any unauthorised rate of expenditure, and would be able at once to exercise the necessary control over it, or, if it be unavoidable, to give their authority for the increase over their former sanction.

I have, &c.
HARTINGTON.

APPENDIX No. 74.

MEMO. on RETRENCHMENT of EXPENDITURE by the COUNCIL of the BOMBAY PRESIDENCY ASSOCIATION.

(*Handed in by Mr. D. E. Wacha, with reference to qq.* 17,325 *and* 17,360.)

Considering the causes whose combined pressure is stated to have obliged the Government of India to institute a fresh inquiry into the national expenditure, the Council cannot help regretting at the outset that the scope of that inquiry should have been so extremely restricted. If the object to be secured is such a large and sensible reduction of expenditure as shall enable the Government to permanently relieve Indian finance from its condition of embarrassment and make it in a great measure independent of those circumstances which are now supposed to threaten its stability, then, the Council think, the investigation, instead of being circumscribed, as at present, ought to cover the whole field of public expenditure. The subject of financial reform, however, is of such paramount importance in Indian administration that the Council trust the Committee, even with the limitations now imposed, will spare no efforts to make its proposals as comprehensive as possible.

2. The chief causes of our financial embarrassment are:—the growth of military expenditure, the contingencies of war and famine and the increasing loss by exchange. To these may be added the growing cost of civil administration in all its departments. As regards military expenditure, the Council fully expressed their opinion on the necessity of its reduction in the memorial they submitted in January last, to the Secretary of State for India, a copy of which is herewith appended for the information of the Committee. It is superfluous here to observe that the additional permanent burden of two millions sterling (which is equivalent to incurring a permanent debt of fifty millions sterling), the outlay on frontier railways and military works, and the contingencies of future increase of military expenditure in consequence of the new adventurous policy—inaccurately described as a policy of preparedness—are all elements of danger to the stability of Indian finance. The Council think it is

high time, therefore, that India's share in the cost of the army services, which are now rendered to England and India jointly, should be fixed by a committee of impartial experts, representing equally Indian and English interest, and confirmed by a Parliamentary statute. The share should be a lump sum, liable to no variation unless the necessity was conclusively established. The annual outlay on military works and frontier railways is also very burdensome. Seeing that nearly eleven millions have already been expended on the former during the last ten years and over four millions on the latter during the four years that ended with 1884, it is clearly necessary that this heavy expenditure, which is wholly unproductive and of at least doubtful expediency, should be altogether stopped. At present, the annual average charge on these heads amounts to nearly two and a half millions, and the Council see no valid reason why that amount should not be saved by the Imperial treasury.

3. Loss by exchange, which has of late varied from about four to four and a half crores per annum, and which is liable to swell with a further fall in the value of silver, no doubt entails a heavy burden on the revenues of India. While the embarrassment it causes to the Indian exchequer is much to be deplored, the Council would observe, that it is within the power of the Government to mitigate, to some extent, the evils arising from it, provided the causes which create this loss are themselves fairly faced. It is evident that the loss is mostly due to the Home charges. These, the Committee are aware, now amount to seventeen millions and upwards per annum, and must grow in the future with the increased military expenditure that has unfortunately been determined upon, and with the increase of interest on the sterling debt. They are incurred on account of the army services, interest on guaranteed railways and sterling debt, stores, and certain civil salaries and pensions, which have to be paid in gold. Considering the immense influence which remittances on this account exercise on the rise or fall of exchange between India and England, it must be obvious to the Committee that a material reduction in the loss incurred at present by a low exchange can only be looked for when there is a corresponding material reduction in the said charges. Under the circumstances, the Council are of opinion that if the Government insists upon a reasonable diminution of the dead weight of these charges, the permanent relief to the Indian treasury in the future will be not inconsiderable. They think it essential for the Indian Government at this juncture to urge strongly on the Secretary of State for India in Council, the desirability of devising some practical scheme to commute in silver the liabilities that have at present to be met by payments in gold. The Council are aware that the obligations which have been incurred in the past must undoubtedly be fulfilled, but it is desirable that some active steps should be taken to mitigate the evils arising from these obligations, as far as practicable, especially with regard to guaranteed railway interest, by opening negotiations with the representatives of the different interest involved to bring about the suggested commutation. In support of the above suggestion the Council would refer to the observations made by Sir John Strachey and General Strachey at pages 80 and 83 of "The Finances and Public Works of India." At the same time they would also suggest the expediency of contracting payment in silver only, so far as it may be possible, of all liabilities and obligations which the Indian Government may have to incur hereafter, as well as of salaries, pensions and gratuities of every kind and nature.

4. Beyond the charges which entail loss by exchange there are others annually incurred for which the Indian revenues are made liable, but which in all fairness, should be borne by the British Treasury. (1). There are the political establishments outside India, which are really maintained in the interest of the Imperial Government, and by which this country is but little benefitted, such as the Residencies at Aden and the Persian Gulf, and the minor establishments in China, at Tehran, Meshed, and Astrabad, at Bussora, Jedda, Muscat, and Zanzibar. The Residency at Aden, especially, is an expensive burden and the charges of its maintenance are paid out from the Indian Treasury. Its utility as a half way house to the southern Asiatic Continent is confined not only to India but to Ceylon, to the Straits Settlements, to Hongkong and to the Australian Colonies, and its maintenance should not, therefore, be thrown on the revenues of India. (2). There are rents, taxes, and other charges incurred on the large buildings which have of late years been constructed at the expense of India, such as the India Office (540,000*l.*), the Library (70,000*l.*), the Store Depôt (68,000*l.*), Cooper Hill's College (100,000*l.*), and Ealing Lunatic Asylum (38,000*l.*). Apart from the annaul loss of 32,000*l.* in interest which this total outlay entails on India, these rents and taxes, &c., amount in round numbers to 15,000*l.* Coopers Hill College has been able to pay its expenses only during the last three years, by admitting outsiders to attend lectures on payment of fees. This is an arrangement that was uot originally contemplated by the authorities. Besides, having regard to the fact that there are special engineering colleges in India, the alumni of which are not very handsomely treated, the Council fail to see the justice of keeping open the college in England, and, would, therefore, recommend its abolition. Again, it seem to be very unfair that the Ealing Lunatic Asylum, which now costs about 4,000*l.* per annum, should be maintained at the cost of the Indian taxpayer. (3). There is a variety of miscellaneous charges also incurred in England which amount to about 25,000*l.* on an average per year. Some of these are excessive, as for instance, the cost of the Civil Service examinations and the salaries allowed to passed candidates while on probation. It is a very large amount to pay, 14,000*l.*, especially when the doors of the examination are practically closed against the natives of India. The Council think all the several charges referred to above may fairly be borne by England.

5. Beyond these annually recurring expenses there are temporary charges now and again incurred which are objectionable and ought, therefore, to be disallowed, such as passage and outfit expenses of Viceroys, Governors, and Judges. There seems no reason why such officials, coming out on high salaries, should not pay their own passage. As a general rule, passage and outfit money ought to be disallowed to all officers who are sent from England to join their appointments in India.

6. As regards the serious growth of salaries, the Council would in the first place invite attention to the appended table marked A., being an analysis of the return presented to Parliament in 1881. The first and most striking fact which these figures disclose is the very small difference between the average annual salary, viz., 458*l.* of an effective officer and the average annual pension, viz., 380*l.*, of a non-effective officer. Thus, it would seem that it costs the Government only a little less for an actual worker than for a non-worker. It is clear, therefore, that the total burden of pensions, in the Civil and Military branches of the administration, is oppressive. The second point which equally challenges attention, upon a study of the table, is the extreme costliness of the European agency employed in the administration. While the salaries (above 100*l.*) of 9,157 Natives of India annually amount to 1,639,411*l.* those of 12,916 European (Eurasians excluded) amount to 8,470,835*l.* In other words, while the number of the former is less by 41 per cent. their salaries are less by 416 per cent. The number and cost of the pensioners appear to be even more disproportionate. The European non-effectives exceeds the Natives 303 per cent. in number and 339 per cent. in pensions. Thus, 8,350 Europeans receive pensions amounting to 3,226,262*l.* against 2,074 Natives receiving 734,452*l.* The Council cannot shut their eyes to the fact that the burden of the cost of Europeans in the military department is very heavy indeed. It is understood that their number is needlessly large while their salaries are now considerably higher than what they were sixteen years ago. According to the table, there are nearly 6,000 military officers on salaries amounting to 3½ millions and upwards, and 6,500 on pensions amounting to 2¼ millions per annum. An effective military officer costs 605*l.*, and a non-effective 344*l.* on an average per year. Thus, the facts here stated give addition emphasis to the representations made by the Council to the Secretary of State for India regarding the imperative necessity of curtailing military expenditure to the standard figure of 14 to 14½ millions, and of liberally opening the doors of the military service to a fair number of qualified Indians.

7. Passing from the military service, it seems that the cost of the European agency in Civil employ is likewise excessive. Thus, a Covenanted European Civil Servant costs on an average 1,715*l.* per annum, in salary and 806*l.* in pension; an Uncovented European 421*l.* in salary and 291*l.* in pension, and a military officer in Civil employ 880*l.* in salary and 497*l.* in pension.

The entire cost of the Civil European agency, accordingly, amounts to nearly 5 millions in salaries and nearly a million in pensions against 1½ millions in salaries and a little over half a million in pensions incurred on account of the Native agency.

8. The above statistics conclusively establish the fact that the European agency in all the departments of the public service has hitherto been maintained on too lavish a scale—a scale that has no parallel in any other part of the civilised world, and is, besides, out of all proportion to the financial ability of India. The Council would strongly urge on the Committee the necessity of recognising this important fact if the reduction in expenditure is really to be of a character to sensibly relieve the Indian treasury of its embarrassment. A very large saving might be effected by more extensively employing competent Natives in positions which are now filled by highly paid Europeans. And with that view the Council would suggest to the Committee the desirability of gradually reducing the cost of the Covenanted Civil Service by recommending a diminution in the number of Civil Servants annually recruited from England. If the Service is in future so manned that ultimately its strength shall be one-third of the present number, and if, moreover, the scale of salaries is revised after a due consideration of the financial capacity of India, a large saving may be effected.

9. The burden of the expense of an Uncovenanted European officer and a Military officer in Civil employ is also very heavy. The former draws on an average 421*l.* per annum and the latter 880*l.* The salary of an Uncovenanted Native officer averages 187*l.* and that of a Native Military officer in the Civil employ 380*l.* per annum. The amount of the yearly salaries allowed to 6,006 Europeans in the Unconvenanted Civil Service aggregates 3¼ millions and that allowed to 7,561 Natives a little over 1¼ millions. The facts speak for themselves, and it is a matter of regret to the Council that in spite of the Despatch of the Secretary of State for India and the Circular orders of the Supreme Government, a very large number of appointments, above Rs. 200 per month, which "are reserved" in the several specified departments for Natives of India, are still given away to Europeans, and that, too, on an higher average scale of salaries.

10. In reference to the above observations, the Council beg to invite the Committee's attention to Table B. herewith annexed. It will be seen from the table how great is the disproportion both in number and salaries between the Europeans and Natives employed even in those departments of the public service which are "reserved" for the latter. Though the figures are incomplete, it will be observed from the last column that over 1,650 appointments, carrying salaries amounting to 84 laks and upwards per annum, are held by Europeans, to the 190, carrying salaries amounting to about Rs. 3¾ laks, held by Natives. In the case of the Bombay Presidency, there are 283 Europeans on salaries amounting to 2 laks, to 61 Natives on Rs. 21,000 per month, in the various departments "reserved" for the latter, such as the Financial, Forest, Salt, Revenue, Survey, Public Works, Police, &c. The majority of the appointments are given away to Europeans because, the Council believe, the holders happen to be the nominees of influential persons. So long as the local authorities ignore the claims of Natives, and prefer to give these appointments to Europeans, there can be no economy in the cost of the Civil administration. It is essential that the appointments "reserved" for Natives of India in the several departments should be scheduled, and an Act passed prohibiting provincial authorities from appointing any persons except Natives of India to those posts. As it is, the Circular instructions of 1879 are overridden. At any rate, nothing has prevented the provincial authorities filling up almost the whole of the higher appointments reserved for Natives of India by Covenanted and Uncovenanted Europeans and European Military Officers. Under these circumstances the Council cannot refrain from strongly urging on the notice of the Committee the extreme desirability of insisting that almost the whole of the Uncovenanted appointments now held by Europeans should be held by Natives. The Committee is aware that a general rule has been laid down to give to Native incumbents of offices under Government two-thirds of the pay that would be given to European incumbents of the same. The Council do not wish to object to the maintenance of this rule, provided that offices at present held by Europeans are very much more largely conferred upon Natives. It is only if this condition is satisfied that the measure, as a measure of economy, will be of any avail. And the Council are clearly of opinion, that, except as a measure of economy, such differential rates of pay for the same office would be indefensible on principle.

11. Other important points in reference to the question of retrenchment which the Committee may properly consider are the exodus to Simla, and the disestablishment of the ecclesiastical department. The annual migration of the Supreme Government to Simla, we think, costs between 7 and 12 laks of Rupees, inclusive of the expenditure incurred by the removal of all the other great departments which follow the staff of the Viceroy and Governor General. It is generally admitted to be injurious from a financial point of view and by reason of the length of the period over which it extends from an administrative point of view also; and it therefore demands an urgent remedy. The maintenance of the Christian State Church in a country where by far the greatest number of people are non-Christians is quite indefensible.

12. Turning next to the cost of collection of revenue, we find that the proportion it bears to the growth of revenue itself is very large, as may be seen from the table below:—

Revenue.	Percentage of Increase of Revenue in 1884–5, compared with the Average of 10 Years from 1870–80.	Percentage of Increase of Cost Collection in 1884–85, compared with the Average of 10 Years from 1870–80.
Land - -	7·47	15·80
Stamp - -	25·34	34·29
Forest - -	56·44	57·54

13. Another noticeable point is the difference in the cost of collection of revenue in the different Provinces. How great is the difference may be illustrated by the following table on Land Revenue:—

Provinces.	1884–85.		
	Land Revenue.	Cost of Collection.	Percentage of Cost to Revenue.
	£	£	
Bengal - -	3,742,025	340,355	9·10
Assam - -	404,943	92,403	22·81
N.W. Provinces and Oudh -	5,727,624	811,521	14·17
Punjab - -	2,070,008	297,199	14·35
Central Provinces	606,309	70,865	11·68
Burma - -	1,141,231	238,324	20·9
Madras - -	4,186,376	790,622	19·
Bombay - -	3,855,586	674,405	17·49

14. Two other heads of revenue show similar differences. The Customs revenue presents particularly noteworthy statistics. In spite of the diminution of revenue by the abolition of the import duties on piece goods and other articles and by the reduced duty on salt, the departments seem to have been maintained very expensively, with the result that the percentage of cost of collection to revenue in Madras rose from 5·8 per cent. in 1875–76 to 6 per cent. in 1884–85, in Bengal from 6 to 17·94, and in Bombay from 11 to 22·51 per cent. during the same period. The cost seems to be very excessive, and needs to be reduced to a moderate figure in all the three Provinces. In the Forest department likewise there seems to be considerable variation. Not only does the cost of administration absorb in most cases over 50 per cent. of the whole of revenue but it actually exceeded the revenue in the province of Assam. There, the revenue in 1884–85 was Rs. 18,042, while the cost was Rs. 19,676! The percentage of cost of collection to revenue in Bengal was 27 in the N. W. Provinces and Oudh 84, in Punjab 74, in the Central Provinces 48, in Burma 70, in Madras 79, and in Bombay 63.

15. The cost of the superior permanent establishments in the Public Works Department also needs to be closely investigated. It would seem from the Parliamentary Return of 8th June 1883, that there were in all India 781 Engineers of several grades as under: 13 Chief Engineers on salaries amounting to Rs. 27,700 per month; 39 Superintending Engineers on Rs. 52,650; 304 Executive Engineers on Rs. 2,21,150, and 425 Assistant Engineers on Rs. 1,69,550. The total annual salaries of these Engineers, almost all of whom are Europeans, amount to Rs. 57,82,600. The Council consider that the numerical strength of the staff as well as the scale of the salaries, requires to be re-examined by the light of present circumstances with the view of gett ng a reasonable reduction. It is worthy of consideration whether Chief Engineers on an average monthly salary of Rs. 2,133, Superintending Engineers on Rs. 1,350, Executive Engineers on Rs. 760, and Assistant Engineers on Rs. 398, do not form a costly aggregate. Native engineering talent, it is a matter of regret, has not received that adequate encouragement which it deserves, and it is desirable that greater scope may be given to it by employing Natives in the higher grades in larger numbers in the Public Works Department. It may be also desirable to inquire into the system of preparing designs and estimates. The Council understand that before final estimates are passed and sanctioned a needlessly large number of preliminary estimates and designs are made for a particular work which must in the aggregate cost the State a large amount of money that is necessarily wasted. Again, it is important to inquire into the expenditure on repairs to roads and communications, and on Civil and Military buildings from Imperial and provincial funds. The percentage of the cost of executive establishments and supervision in reference to capital outlay on original works, and expenditure on repairs, needs to be closely scrutinised. The Council think that the activity in the construction of Civil buildings in the various provinces may be judiciously controlled, so as to bring about some reasonable reduction of expenditure. The details of the system of letting contracts and the checks in vogue, also deserve the attention of the Committee, as it is feared that a great deal of the State money must be wasted on works which collapse soon after they are built. Lastly, the Council think that with the view of having a more economical and effectual administration of the Imperial Public Works Department, it would not be inopportune were the Committee to give its careful consideration to the proposal of conducting its operations upon a contract basis analogous to that of the quinquennial agreements with provincial governments, as suggested by the Honourable Mr. (Sir T. C.) Hope in his minute appended to the Despatch of the Government of India to the Secretary of State, dated 23rd January 1883.

16. The cost of General Administration, too, has grown enormously since 1870–1. Not a single year has since passed in which some charges have not been permanently added. In 1885 the growth was fully 39·42 per cent. more than the average of the three preceding years, and 11·35 more than the average of the previous decade. The details of the various departments tell a uniform tale of increased charges. Thus, the cost of the Police in 1885 showed a growth of 15 per cent., compared with the average of the decade commencing from 1870. The charges of Medical Establishment in 1885 were also 15 per cent. higher, compared with the average of the same ten years. The growth of the Political establishment in the last four years alone has been 48 per cent. It shows that the expenditure under this head is imperfectly controlled. Scientific and minor department shows a growth of 24 per cent. in 15 years, Superannuation and Pensions of 20¼ per cent., and Stationery and Printing of 47 per cent. The expenditure incurred on the last can be very satisfactorily curtailed, if the growing practice of preparing bulky reports and minutes is discouraged, and if all Government printing were done by private enterprise. The Council think that administrative efficiency, which is now in a measure smothered in a mass of uninteresting and useless details, would very much gain by a rigid curtailment of expenditure under this head. The growth of the cost of the General Administration in its different branches being what has been here shown, the Council are strongly of opinion that the expenditure may very well be brought down, back to the scale on which it stood in 1870–71.

17. As to provincial assignments, the Council do not think that any very lengthy observations are needed to prove the inexpediency of curtailing them after the exhaustive treatment the subject has received at the hands of the Government of India in their Despatch of 24th August 1883, and in the minute of Mr. Barbour which is appended to it. It would be no doubt injurious to their material progress if the provinces were considerably shorn of the revenues at present assigned to them for their legitimate requirements. A curtailment of these allotments would seriously hamper the progress which all provinces have been fairly making since 1876, and impede the growth of that healthy system of decentralisation which has received such marked development since 1882. It may even lead in the long run to additional local taxation. And, once the system has received a rude shock, it will, it is to be feared, be difficult to place it again on the sound footing to be now witnessed. The Council hope that in dealing with provincial assignments the Committee will give the subject that careful and impartial consideration which it deserves.

18. At the same time the Council would remark that expenditure in the three Presidencies varies greatly, as may be seen from the tables below:—

Presidencies.	Area, Square Miles.	Population.	Cost of Administration.
			£
Bengal - -	150,568	66,691,456	201,330
Madras -	52,051	30,868,504	147,084
Bombay -	24,605	16,489,274	176,336

19. Thus Bombay, with six times less area and four times less population, and Madras with one-third of the area and half the population, are administered more dearly than Bengal. The detailed figures of some of the departments are still more striking. Thus:—

Presidencies.	Law and Justice.	Police.	Stationery and Printing.	Medical.
	£	£	£	£
Bengal -	792,596	413,267	163,754	131,051
Madras -	413,141	353,222	78,369	156,078
Bombay -	462,106	450,533	50,724	137,742

20. The expenditure in Bombay and Madras under the first three heads is excessive compared with Bengal, while the charges incurred for Stationery and Printing in Bengal and Madras are very high compared with those of Bombay. It is difficult to believe that the circumstances of the different Presidencies are so radically different as to justify such immense variations. Apart from the above facts, the Council would observe that the expenditure generally, as shown above, is large and susceptible of reduction.

21. The Revenue-commissionerships in Bombay, and the Revenue Boards in Madras, Bengal, the Punjab, and the United Provinces; the Director-generalships of Railways and Post Office; the Inspector-generalships of Forests, Police, Prison, and Registration; the Sanitary Commissionerships and Surgeon-generalships; the Superintendentship of the Archæological department and other similar offices, many of which are mere channels of communication between the executive officers of the District and the Central Government, seem to be quite superfluous, and may be abolished without inconvenience. Besides their salaries, the holders of the several offices cost a great deal in travelling allowances, an expenditure which may very well be spared. Travelling allowances to all classes of State employés, save those on a monthly salary below Rs. 500 should, as a general rule, be abolished. So also all sorts of local allowances, which in the aggregate amount to a very large sum per annum. The Council would also suggest the abolition of all prizes awarded for proficiency in the Indian Classical and Vernacular languages. They are a pure waste of public money.

22. Coming to the Bombay Presidency, the multiplicity of departments in District administration may be considered. The separation of the Land Revenue, Survey Settlement, Forest, Abkari, Salt and Opium

and Customs' departments, has resulted, not only in increase of the cost of administration, but much mischief and friction. The Collector, who formerly managed all these departments, may again be entrusted with their supervision, an Assistant or Deputy being in charge of each department separately, and the general magisterial work being arranged for in some other suitable way. The Collector, instead of being the Collector of Land Revenue only as at present, should be the Collector of all revenue. He should be the head of all the earning departments, and may be relieved of his magisterial, police, and jail functions.

23. The Council do not see the necessity of the offices of the Commissioner of Customs, Opium, Salt and Abkari in Bombay, and of the Collector of Customs, as the work to be done has been considerably lightened since the abolition of the import duties, and the subordinate staff respectively attached to the offices is sufficiently strong for all the work needed. They think the Collector of Bombay can be easily relieved of his duties as Superintendent of Stationery and Printing, and entrusted with the additional duties of Collector of Customs and other revenue. The Sanitary department again as a distinct department has little reason for its maintenance. The Local Boards and Municipalities, with the assistance of the Medical department, headed by the Civil Surgeon in a district, may well be trusted to look after sanitation. The Presidency Surgeonships are offices which are also of doubtful necessity. It is difficult to see what useful functions they fulfil. The Council venture to think these offices, and all such sinecure appointments, should be ungrudgingly abolished.

24. As to the Judicial department, it has been suggested that the original side of the High Court should be abolished, and its work entrusted to some subordinate Judges and district Judges. The Council are aware of the costliness of litigation on the original side, and it may be necessary that some steps should be taken to reduce the cost. But this should be done without in any way impairing its efficiency as the highest tribunal in the Presidency. Further, the work on the original side may be somewhat reduced by conferring extended jurisdiction on the Small Clauses Courts. By a judicious reform in these directions it is possible that an additional judgeship may be rendered unnecessary. And here the Council would suggest the desirability of resuscitating the machinery of the village punchayets for the administration of justice in the Mofussil. It appears to be still a living institution in the Punjab and the United Provinces, and doing useful work in that direction. Civil and criminal cases of an ordinary kind can be well entrusted to the village punchayets, and thus the numerical strength of the Mofussil civil and criminal courts may be reduced at considerable saving not only to the pockets of those seeking cheap and efficient justice, but to the Indian treasury itself. At the best the Council can only make a crude suggestion here, and would leave it to the Committee to mature a scheme if the suggestion meet their approval. All civil, rent and revenue suits under a certain value may be entrusted to the punchayets, and appeal from their decision may be made to subordinate Judges, who should be told off to go on circuit at stated intervals.

25. Turning to appointments and salaries in the various Civil departments of the Bombay Presidency, the Council would remark that the suggestions and reductions here proposed are far from complete, and are also put forward tentatively, owing to the absence of any published returns containing full and minute information regarding the different establishments, and also owing to the necessarily imperfect information on the subject which outsiders possess. These circumstances have likewise resulted in making some of the suggestions hereinbefore made less definite than the Council could have desired. But it is hoped that they may lead to some beneficial results by drawing the attention of the Committee to facts which challenge investigation.

Administration.—Considering that the membership of the Executive Council does not entail work of a more exacting character than what is undergone by a Judge of the High Court, and also bearing in mind that a member of the Council works for a considerable portion of the year in a more invigorating climate, the salary of the former office seems somewhat excessive. It can be reduced to a reasonable figure, say Rs. 4,000 per month. The annual saving will amount to Rs. 40,320. The salary of the Chief Secretary ought to be less than that of Her Majesty's Judges, and need not exceed Rs. 3,000, while it is desirable that the pay of each of the Secretaries should not exceed Rs. 2,000. The reduction would amount to Rs. 31,900 per year.

Financial Department.—By reducing the salary of the Accountant-General to Rs. 2,500 of the senior Assistant Accountant-General to Rs. 1,000 and of the two Chief Superintendents to Rs. 500 each, a saving of Rs. 8,160 may be effected per annum.

Collector of Bombay.—The office can be amalgamated with that of the Collectorship of Customs and Salt. The salary of the combined office should not exceed Rs. 2,000 per month. At the same time the Collector can be relieved of the duties of Superintendent of Stationery and Printing. These charges would effect an annual saving of Rs. 59,280.

Commissioner of Customs, Salt, Opium, and Akbari, and Reporter General of External Commerce should be entirely abolished at a total yearly saving of Rs. 42,000.

Superintendent of Stamp and Stationery.—The officer now employed as Assistant should be made Superintendent on the same salary, viz., Rs. 600 per month.

Registration.—The Inspector-Generalship is a sinecure and can be abolished without impairing the efficiency of the Department. The special Registrar can conduct what little work that office requires, say on a small increase, if necessary, to his present salary. The annual saving by this change will amount to Rs. 21,600.

Mint and Assay Office.—The salary of Rs. 3,000 allowed to the Mint Master seems excessive. It can be cut down to Rs. 1,500. The salaries of the Assay Master and the Deputy Assay Master are also high. The salary of the former can be reduced from 1,850 to 1,000, and that of the latter from 1,200 to 600. There is no reason why a supernumerary, as probationer, should be allowed on Rs. 600 per month. The yearly savings will amount to Rs. 42,600.

Minor Departments.—The Director-Generalship of the Archæological Survey of India can be abolished without detriment to public efficiency. The office of Inspector of Factories can be amalgamated with advantage with that of the Inspector of Steam Boilers and Prime Movers. The total savings will come to Rs. 21,600.

Law and Justice.—Should the changes referred to in the 26th paragraph be carried out, then the salary of a Judge may be saved. The salaries of the following officers can be fairly reduced:—

Master in Equity - - -	to Rs.	2,000
Prothonotary - - -	,,	1,000
First Deputy Registrar - -	,,	500
Second ,, ,, - -	,,	500
Head Assistant Prothonatary -	,,	600
Registrar, Appellate side - -	,,	1,000
Government Solicitor - -	,,	2,000
Legal Remembrancer - -	,,	2,000
Second Judge, Small Cause Court	,,	1,250
Registrar - - -	,,	500
Chief Presidency Magistrate -	,,	1,500
Second Magistrate - -	,,	1,000

The aggregate savings will amount to Rs. 1,14,600 per year.

Police.—The Commissioners salary should not exceed Rs. 1,500. The Deputy Commissioner can be reduced to Rs. 600. The Superintendent of the G. I. P. Police to Rs. 700. The reduction will amount to Rs. 10,800 per annum.

Medical.—The Surgeon Generalship can be abolished. So also the Presidency Surgeonships. Also the Sanitary Commissionership. Saving Rs. 1,03,400.

Printing.—The salary of the Superintendent can be reduced to Rs. 500. Saving Rs. 4,080.

In round numbers an annual saving of Rs. 5½ lakhs may be expected by carrying out the above reductions. But it must be borne in mind that beyond this a very large saving can be effected if the important suggestions already referred to in the 11th paragraph, so far as they relate to this Presidency, are also carried out. If most of the unreserved appointments in the Sind Commission, in the Revenue, Survey, Forest, Salt, Customs, Police, Public Works, and other departments which are now held by Europeans, are in future held by Natives of India, the saving would be considerable.

26. In conclusion, the Council are of opinion that reduction of expenditure will in the long run do little to permanently relieve the finances in a sensible degree and place the Indian exchequer on a thoroughly sound and healthy footing, unless substantial changes are at the same time introduced into the system of administration in consonance with the spirit of the times, in sympathy with the legitimate aspirations of the people and with due regard to the financial ability of India. The essential fact of the poverty of this country should never be lost sight of. It is imperative that expenditure should be adjusted to income rather than income to expenditure. It was elicited in the evidence of Sir Charles Trevelyan, before the Parliamentary Committee of 1871–74, that there has been a reversal in recent years of the old rule whereby the income was dealt with as a certain quantity by which expenditure was regulated, whereas the system at present in vogue seems to be of first fixing expenditure and bringing the taxation up to it. There was also evidence in support of the conclusion that the interests of India as regards expenditure are not sufficiently protected under the constitution of the Council of India in England and that there was much better protection in the time of the East India Company. There seems to be no sufficient barrier against official pressure in the direction of lavish expenditure. Lord Lawrence was of opinion that the revenues of India are overcharged in various ways in favour of the Imperial revenue. The alarming growth of Civil and Military expenditure was also brought in evidence. Thus it is the faulty system of administration which is at the root of the financial embarrassment of the Government of India. The evils of that system are: mischievous military activity on the frontiers and elsewhere, a lavishly paid foreign agency, oppressive home charges, an undue subordination of Indian revenues to England's interests, and a want of rigid control over expenditure generally. Loss by exchange is one of the principal and direct consequences of the first four of these evils. And the conviction is growing, therefore, that no permanent relief to the finances of India can be hoped for until a saving from about four to five millions at the least is effected by: (1) reducing the excessive burden of Military expenditure; (2) curtailing Home charges; (3) gradually substituting on a large scale Native for European agency; (4) resolving to contract all future obligations, as far as possible, and all salaries and pensions, in silver; and (5) by devising most efficacious checks for controlling expenditure both in India and England. To secure these several objects it is of the utmost importance to make fundamental changes in the system of administration. Without these it would be vain to indulge in the hope that any permanent relief now so necessary can be afforded to the Indian treasury. The Council are far from underrating the difficulties and opposition which the Government is liable to encounter should it set about earnestly to carry out the changes. But these are not of so insuperable a character as not to be overcome. They feel confident that the Government has only to give proof of its resolute determination to carry out the changes unflinchingly to be able in the end to secure the desired financial reform with the cordial co-operation of the Indian communities.

A.

TABLE OF SALARIES AND PENSIONS ABOVE £100.

Officers.	Salaries.									Pensions.								
	European.			Native.			Total.			European.			Native.			Total.		
	No.	Average per Annum.	Amount.	No.	Average per Annum.	Amount.	No.	Average per Annum.	Amount.	No.	Average per Annum.	Amount.	No.	Average per Annum.	Amount.	No.	Average per Annum.	Amount.
		£	£		£	£		£	£		£	£		£	£		£	£
Covenanted	921	1,715	1,579,515	10	739	7,390	931	1,704	1,586,905	728	806	586,768	—	—	—	728	806	586,768
Uncovenanted	4,395	421	1,850,295	7,529	187	1,407,923	11,924	273	3,258,218	723	291	210,393	1,657	421	697,597	2,380	381	907,990
Military in Civil employ	1,611	880	1,417,680	32	380	13,160	1,643	871	1,430,840	365	497	181,495	4	231	924	369	494	182,329
Total Civil	6,927	700	4,847,490	7,571	188	1,428,473	14,498	433	6,275,963	1,816	538	978,566	1,661	420	698,521	3,477	482	1,677,087
Total Military	5,989	605	3,623,345	1,586	133	210,938	7,575	506	3,834,283	6,534	344	2,247,696	413	87	35,931	6,947	328	2,283,627
Grand Total	12,916	656	8,470,835	9,157	179	1,639,411	22,073	458	10,110,246	8,350	386	3,226,262	2,074	354	734,452	10,424	380	3,960,714

B.

DISTRIBUTION OF CIVIL APPOINTMENTS AS HELD BY EUROPEANS AND NATIVES IN VARIOUS PROVINCES.

Departments.	Bengal.				Madras.				Bombay.				N. W. P. and Oude.				Punjaub.				Central Provinces.				Total of all Provinces.			
	European.		Native.		European.		Native.		European.		Native.		European.		Native.		European.		Native.		European.		Native.		European.		Native.	
	No.	Monthly Salaries.	No.	Monthly Salaries.	No.	Monthly Salaries.	No.	Monthly Salaries.	No.	Monthly Salaries.	No.	Monthly Salaries.	No.	Monthly Salaries.	No.	Monthly Salaries.	No.	Monthly Salaries.	No.	Monthly Salaries.	No.	Monthly Salaries.	No.	Monthly Salaries.	No.	Monthly Salaries.	No.	Monthly Salaries.
Forest	15	8,350	—	—	35	19,000	—	—	32	26,250	16	3,840	28	18,000	2	400	14	6,150	1	200	18	11,000	2	350	142	88,750	21	4,790
Salt	211	23,000	—	—	11	6,860	—	—	17	12,800	2	580	—	—	—	—	23	6,375	3	575	—	—	—	—	262	49,035	5	1,155
Opium	72	38,150	—	—	—	—	—	—	—	—	—	—	54	24,000	—	—	—	—	—	—	—	—	—	—	126	62,150	—	—
Survey and Settlement.	All*	*	2	*	20	18,000	3	—	53	40,000	2	1,500	31	1,000	—	—	6	3,050	—	—	All	*	—	—	110	72,050	7	1,500
Police	114	57,500	7	2,000	59	40,000	1	*	49	38,300	3	2,750	62	39,000	1	250	63	45,320	3	1,300	22	14,000	1	550	369	2,34,120	16	6,850
Telegraph	*	*	*	*	9	11,175	—	—	36	10,875	8	1,050	9	4,000	—	—	45	12,680	3	485	All	*	*	*	99	38,730	11	1,635
Public Works	93	*	56	*	100	—	*	*	83	60,600	15	7,150	71	40,500	19	*	113	*	13	4,000	33	16,500	9	860	493	1,17,600	112	12,010
High Court	20	*	2	*	16	13,580	1	400	13	16,800	15	4,200	*	*	*	*	*	*	*	*	—	—	—	—	49	20,380	18	4,600
Total	525	1,27,000	67	2,000	250	1,08,615	5	400	283	2,05,625	61	21,070	255	1,36,500	22	650	264	73,575	23	6,610	73	31,500	12	1,760	1,650*	6,82,815*	190*	32,540*

* Incomplete.

APPENDIX No. 75.

(*Handed in by Mr. Wacha, with reference to Qu.* 17,349.)

MEMORIAL forwarded by the BOMBAY PRESIDENCY ASSOCIATION to LORD RANDOLPH CHURCHILL.

Bombay Presidency Association,
37, Hornby Row, Bombay,
January 1886.

To the Right Honourable Lord Randolph Churchill, Her Majesty's Principal Secretary of State for India in Council.

May it please your Lordship,

IT is with the deepest concern that the council of the Bombay Presidency Association have viewed the measures that are now being actively taken by the Government of India, under instruction from the Secretary of State in Council, to add to the present military force of the empire 10,000 more British and 20,000 more Native soldiers, at a cost which is estimated at about two millions sterling per annum.

2. Bearing in mind the fact that the strength of the Indian army was till very recently maintained, with but immaterial variations, almost at the figure originally recommended in the Report of the Royal Commission of 1859, and afterwards approved of by the Simla Army Commission of 1879; and considering the opinion expressed in the report of the latter, that for repelling external aggression on the north-west and north-east frontiers of India a field force of 50,000 to 60,000 fighting men is quite adequate, while 39,600 British soldiers and 75,800 Native soldiers would still remain available for the internal defence of the country, and "suffice to maintain order in British and feudatory "India and on the frontiers," the Council of this association have failed to understand the reasons for which it is now proposed to augment the existing strength of the British India army. If the necessity for repelling external aggression is fully met by the 50,000 or 60,000 fighting men that can readily be placed in the field from the existing force of 189,000 men, it is difficult to think of any other necessity or contingency arising to justify, in times of peace, a permanent addition of 30,000 troops and, consequently, a permanent burden of two millions sterling on the revenues of India. For if by some unlucky mishap or disaster it was even found imperative to move a greater portion of the remaining available fighting force to the field of operations such a movement could be easily effected. The present facilities of transport and telegraphic communication would enable the military authorities, at very short notice, to replace from England, or from England's colonial possessions nearest to India, the European portion of the force which may be ordered on field duty; while by a judicious utilisation of the remaining regular native troops, in conjunction with the better class of drilled soldiers which the princes and feudatories of the empire would be ready and willing to place at the disposal of Government, a sufficient number of soldiers would still be available for preserving internal order or quelling disturbance with the aid of the civil police, which is now maintained at a net cost to the Imperial revenue of 2,150,000*l.* per annum. And the number available for internal defence might be considerably increased were the Government to encourage the formation of volunteer corps in important centres of the country from among the educated and respectable classes of the Indian community.

3. Above and beyond these facts it is needful to remember, as has been very clearly demonstrated in the despatch from the Government of India (No. 168 of 1879, Military Department), dated Simla, 22nd May 1879, that the construction of railways and the development of communications have greatly increased the power of the Indian Government to concentrate troops, and thus altered strategical conditions; that districts which 20 years ago were unsettled are now peaceful and settled, and that the troops have been re-armed with improved weapons, which vastly enhance their fighting capacity as against any Asiatic troops, and perhaps even as against European troops, according to some of the highest military authorities.

4. Thus, while fully alive to the necessity of adequate measures which shall place the empire in a position to repel external foes when occasion arises, and to maintain internal peace at all times, the Council beg leave to submit that no case has been made out for the augmentation of the present forces. And such augmentation is to be specially deprecated in view of the appalling expenditure of 17,000,000 sterling, which India is now obliged annually to incur upon its army, even as at present constituted.

5. Successive Viceroys and Finance Ministers, as well as other high authorities on military finance, have deplored, from time to time, the growth of our military expenditure and emphasised the necessity of curtailing it. It is only within the last official year that the accounts have shown some reduction, but Sir Auckland Colvin has not been slow in his financial statement of March last to express his fear as to the maintenance of this somewhat reduced expenditure. And in any case the stupendous enhancement of our military charges in years past admits of no concealment.

7. In 1861, Mr. Samuel Laing, the then Finance Minister, observed: "I am sanguine that the total "expenditure on the army may be kept at 12,250,000*l.* "or even brought down to 12 millions in India and "two millions in England. . . . . It is not fair "that India should pay the full cost of the reserve "establishment in England. . . . . If a fair "settlement is made I look for a considerable further "reduction in the military estimates." It is important to mention here that this estimate was arrived at after the laborious investigations carried on in England by Sir G. Balfour, whose impartiality in the examination of military accounts for the distribution of the entire military charges between England and India is well known. This estimate of 14 millions has, however, remained merely a theoretical one, while the latest complete accounts for 1884-5 show an actual net military expenditure of 17 millions, inclusive of all outlays. In paragraph 5 of their military despatch, No. 168, dated Simla, 22nd May 1879, the Government of Lord Lytton remarked in reference to the payments made to the Imperial Government on account of imperial troops, that "these have been repeatedly "investigated, but with results we have not been able "to accept as equitable and satisfactory. . . . . "We have grave reasons for thinking that justice to "India requires the reduction of these payments (by "about half a million sterling) to a consolidated "yearly payment of 850,000*l.*" Every Finance Minister in turn has protested against increased military charges in England, charges in the regulation of which, as the Government of India has more than once observed, it has no voice. It was elicited in evidence from some of the witnesses examined before the Select Committee of the House of Commons on Indian Finance, that the Government of India was not consulted by the English War Office whenever permanent increased charges were thrown upon the Indian Exchequer. The Marquess of Salisbury was obliged to admit this fact, and to observe that vigilance was required on the part of the India Office in order to guard against danger from other departments of the State encroaching upon the rights of the Indian Exchequer; while letters of remonstrance were addressed by Lord Northbrook and the Duke of Argyll as to the "unjust" and "scandalously unjust" character of some of the charges fastened upon India. Again, Sir T. T. Pears observed before the same Committee that, with an aggregate increase of nearly 400,000*l.* a year for pay and allowances entailed by certain changes made by the War Office, there was little or no consultation with the India Office as regards the changes themselves. Lord Sandhurst deposed to the effect that questions of military organisation were decided at home without reference to Indian authorities. While Lord Salisbury further admitted that increased expenses had been entailed upon India by the necessity of following the lead of England in making changes in the British army organisations, changes made without special reference generally to the interests of India; his Lordship did not hesitate to state that it was expedient that this country should be generally consulted by the War Office in reference to any changes affecting its revenues.

8. "It has to be observed on the other hand," state the Government of India in their Despatch, No. 401, of

21st November 1884, "that whereas the British " garrison in India has practically remained unaltered " in respect of numbers and efficiency for many years " past, its cost has been in course of constant increase " from the various changes which have been made in " the organisation of the British army, changes made " entirely, it may be said, from Imperial considerations, " and in which Indian interests have not been consulted or advanced. The introduction of short " service, the increase in the higher rank of officers, " the rules relating to promotion, have all made large " demands on the Indian treasury; in return for " which India has derived no commensurate advantage " . . . It has to be remembered that charges which " do not cause any very serious additions to English " estimates, and which are carried out without the " least reference to India, involve very much larger " charges on the Indian revenues by reason of the " much more liberal allowance enjoyed by officers in " this country. The conversion, for example, of the " first captains of the Royal Artillery into majors " gives the officer so promoted an increase of only five " shillings a day in England; in this country the " difference between the pay of a major and a captain " of artillery is 342 rupees a month."

9. It is for your Lordship to consider the appalling gravity of the charge which is made manifest even in this one instance. But in order that the injustice of the many military charges which have been fastened on India since 1864–5, and their baneful influence on the Indian revenues may be seen to the full, the Council of the Association beg to refer your Lordship to the 45th paragraph of the same despatch. Not a single year has elapsed since 1864–5 in which some permanent charges, light or heavy, have not been thrown on India. It is not surprising if in the succeeding paragraph the Government of India is constrained to remark that " this process of increasing the charges of " the European forces in India has indeed been carried " on of late years to an extent which Her Majesty's " Government are perhaps hardly aware. . . . " These additional charges amount to more than " 800,000*l.* a year. Some of them were for necessary " improvements; others were imposed with little or " no reference to Indian wants, and in most cases " without the Indian Government having any voice " in the matter." Thus, though the expediency of consulting the Indian Government on changes in the British military organisation affecting the revenues of India was admitted and acknowledged in 1873, that Government had, 11 years later, still to complain that it had no voice in the adoption of such changes so far as they affected Indian revenues.

10. Your Lordship cannot be unaware of the fact that, strictly speaking, the net revenue of India, during the decade ending 1883–4, has increased at the rate of about 670,000*l.* per annum, but that this increase is absorbed by expenditure of almost equal amount. Of this annual average increase of revenue, military expenditure alone absorbs about 144,000*l.* The net military expenditure in 1874–5 was 15·5 millions. In 1883–4 it rose to 16·99 millions. During the same decade the growth of the net land revenue was 400,332*l.* or say, 40,000*l.* per annum. So that it is clear that increased military expenditure absorbs in one year the net increase in land revenue of three years and a half.

11. It is evident that inasmuch as the steady yearly growth of revenue is absorbed by corresponding expenditure, the Indian Exchequer has no reserve to fall back upon. There is no true surplus to speak of, while the periodic calamities of scarcity or famine, let alone other and unforeseen contingencies, have generally to be met with borrowed money which only swells the permanent interest charge on the revenues of the country. Reviewing in 1879 the finances of India for the seven preceding years, Sir John Strachey observed, that India " possessed no true surplus of revenue over " expenditure to cover the many contingencies to " which a great country is exposed." The Council beg to observe that this state of Indian finance still continues.

12. Such being the ordinary condition of the Indian revenue we must leave it to your Lordship to consider how the finances can bear the severe strain that is now about to be put upon them to the extent of 2,000,000*l.* sterling per annum. The inability of the country to meet any further demand upon its resources is now notorious, while there are no two opinions as to the fact that the limit of taxation has been reached. In their despatch of 8th February 1878, the Government of India observed that "placed as it was under the " serious responsibility of so administering the affairs " of the greatest dependency of the British Crown, " that while British supremacy is strictly guarded, " the means of securing that end shall not unduly " weigh on the people of the country, it was constrained " to represent to Her Majesty's Government that the " burden thrown upon India on account of the British " troops is excessive, and beyond what an impartial " judgment would assign in considering the relative " material wealth of the two countries and the mutual " obligations that subsist between them." And again, " all that we can do is to appeal to the British Govern- " ment for an impartial view of the relative financial " capacity of the two countries to bear the charges " that arise from the maintenance of the Army of " Great Britain, and for a generous consideration of " the share to be assigned by the wealthiest nation in " the world to a dependency so comparatively poor " and so little advanced as India." Later on, the supreme Government acknowledged that " owing to " the poverty of the people and their consequent " inability to bear taxation, it was unable to supply " the funds required for the most necessary and " desirable objects." In the face of these unequivocal declarations the Council are extremely concerned to find that an additional permanent burden of two millions sterling is now sought to be imposed on the population whose yearly income barely goes beyond 40*s.* per head, and that, too, for a purpose of which the necessity is not made out. Such a step, if persisted in, can only result in discontent, which should be avoided at all hazards, not to say anything of the perpetual hindrance it would offer to the execution of those measures of great public utility which are so imperatively wanted.

13. The Council of the Association therefore hope that your Lordship will on a reconsideration of the whole question in all its bearings, political and financial, be pleased to recall the instructions issued on the subject, and at the same time take such measures for the curtailment of the over-grown military expenditure as to bring about a sounder and healthier state of Indian finance generally.

14. Should, however, Her Majesty's Government adhere to their resolution to carry out the proposed increase in the army, the Council submit that the expenditure thereon should be met from retrenchment, for which there is yet great scope, and not from increased taxation, and that the Imperial Government of England be asked to share the greater portion of the burden. The ostensible reason urged for the increase of troops is the necessity of preparedness to repel foreign invasion on the north-west frontier. While we hold that the safest and most prudent policy of safe-guarding the Empire is to remain within the country's true line of defence, supported at the back by the whole strength of a devoted and contented people, we would also urge that in such an eventuality as the increased expenditure is proposed to meet a sense of strict justice alone should prompt England to share with India the great burden of the military charges thus entailed, bearing in mind the capacity of " a dependency so comparatively poor and so little " advanced as India," and remembering that England's vital interests are involved in the maintenance of the Indian Army.

15. The Council of the Bombay Presidency Association therefore pray, firstly, that the resolution to increase the Indian Army by 30,000 troops be rescinded with the view to save Indian revenues the proposed permanent additional burden of 2,000,000*l.*; but if that course fail to meet the approval of Her Majesty's Government, then that the expenditure be shared in an equitable way by England and India. Secondly, that the most rigorous economy be enforced on all departments of the public service, whereby considerable savings may be effected to ease the finances of an oppressive burden, and enable the Government of India to lay by a substantial reserve which may be useful in times of emergency. Thirdly, that a scheme be considered and determined upon for the formation of Native Volunteer Corps. And lastly, that a more stringent system of check and control be established so that encroachments on the revenues of India may be effectually prevented.

We have, &c.
(Signed) B. Tyabji, Chairman.
Pherozeshah M. Mehta,
K. T. Telang,
Dinshaw Edulji Wacha,
Secretaries.

APPENDIX No. 76.

Handed in by Mr. Wacha. (*With reference to Question* 17,785.)

BUDGET ESTIMATES COMPARED WITH REVISED, AND ACCOUNTS IN TENS OF RUPEES.

REVENUE.

Year.	Budget.	Revised.	Revised + or − with Budget.	Accounts.	Accounts + or − with Revised.	Accounts + or − with Budget.	Remarks.
	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	
1885–86	72,327,600	73,598,100	+ 1,270,500	74,464,197	+ 866,097	+ 2,374,157	
1886–87	75,798,700	76,071,700	+ 273,000	77,337,134	+ 1,265,434	+ 1,538,434	
1887–88	77,460,200	77,926,600	+ 466,400	78,759,744	+ 833,144	+ 1,299,744	
1888–89	80,010,500	81,585,500	+ 1,575,000	81,696,678	+ 111,178	+ 1,686,178	
1889–90	82,935,300	84,636,300	+ 1,701,000	85,085,203	+ 448,903	+ 2,149,903	
1890–91	84,932,100	85,313,500	+ 381,400	85,741,649	+ 428,149	+ 809,549	
1891–92	86,025,300	88,515,900	+ 2,566,000	89,143,283	+ 557,383	+ 3,117,983	
1892–93	88,367,900	90,021,200	+ 1,653,300	90,172,438	+ 151,238	+ 1,804,538	
1893–94	90,005,700	90,429,500	+ 423,800	90,565,214	+ 135,714	+ 559,514	
1894–95	92,024,900	95,154,100	+ 3,129,200	95,187,429	+ 33,329	+ 3,162,529	

EXPENDITURE.

	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	
1885–86	71,681,000	76,488,900	+ 4,807,900	77,265,923	+ 777,023	+ 5,682,993	
1886–87	75,616,500	76,071,200	+ 454,700	77,158,707	+ 1,087,507	+ 1,542,207	
1887–88	77,443,500	80,943,300	+ 3,499,800	80,788,576	− 154,724	+ 3,345,076	
1888–89	80,708,500	81,787,200	+ 1,078,700	81,659,660	− 127,540	+ 951,160	
1889–90	82,829,000	82,826,600	− 3,000	82,473,170	− 353,430	− 355,838	
1890–91	84,661,700	82,526,400	− 2,135,300	82,053,478	− 472,922	+ 2,608,222	
1891–92	85,909,700	88,665,900	+ 2,756,200	88,675,748	+ 9,848	+ 2,766,048	
1892–93	88,221,300	91,103,100	+ 2,881,800	91,005,850	− 97,250	+ 2,784,550	
1893–94	91,600,800	92,222,300	+ 621,500	92,112,212	− 110,088	+ 511,412	
1894–95	92,326,800	94,163,600	+ 1,836,800	94,494,319	+ 330,719	+ 2,167,519	

APPENDIX No. 77.

(*Handed in by Mr. Gokhale with reference to Q.* 18,189.)

STATEMENT I.

Year.	Expenditure in Crores — Railway Receipts.	Exchange in Crores.	Expenditure — Railway Receipts and Exchange.
1852–53	28.04	—	28.040
1853–54	30.18	—	30.180
1854–55	30.89	—	30.890
1855–56	31.97	—	31.970
1856–57	31.97	—	31.970
1857–58	40.04	—	40.040
1858–59	50.19	—	50.190
1859–60	50.37	—	50.370
1860–61	46.74	—	46.740
1861–62	43.53	—	43.530
1862–63	42.97	—	42.970
1863–64	44.20	—	44.200
1864–65	45.58	—	45.580
1865–66	45.74	—	45.740
1866–67	44.10	—	44.100
11 months:			
1867–68	49.06	—	49.060
1868–69	51.30	—	51.300
1869–70	50.12	—	50.120
1870–71	49.39	—	49.390
1871–72	49.16	.433	48.727
1872–73	50.82	.694	50.126
1873–74	54.66	.882	53.778
1874–75	53.21	.785	52.425
1875–76	52.64	1.355	51.285
1876–77	55.00	2.059	52.941
1877–78	57.22	1.554	55.666
1878–79	55.38	3.225	52.155
1879–80	60.27	2.926	57.344
1880–81	66.52	2.716	63.804
1881–82	58.81	3.556	55.254
1882–83	58.40	3.234	55.166
1883–84	57.56	3.434	54.126
1884–85	59.20	3.426	55.774
1885–86	63.58	3.23	60.350
1886–87	62.68	5.419	57.261
1887–88	66.25	6.466	59.784
1888–89	66.13	6.971	59.159
1889–90	65.87	6.663	59.207
1890–91	64.82	5.087	59.733
1891–92	68.74	6.937	61.803
1892–93	71.93	9.827	62.103
1893–94	71.82	10.285	61.535
1894–95	73.25	13.068	60.182

PERIODICAL AVERAGES.

Year.	Without Exchange.	With Exchange.
	Crores.	Crores.
1852–53—1856–57	30.8	30.8
1857–58—1861–62	46.1	46.1
1862–63—1870–71	46.9	46.9
1871–72—1881–82	53.9	55.8
1882–83—1894–95	58.8	65.4

APPENDIX No. 78.

(*Handed in by Mr. Gokhale with reference to Q.* 18,189.)

POST-MUTINY PERIOD OF INDIAN FINANCE. DIVISION I.

1862-63.—1870-71.

(*Centralised Finance.*)

Elements of Uncertainty during the Period.	Fiscal Reserves.
(1.) War Office demand (British Force amalgamated). (2.) Necessity for famine protection. (3.) Demands for public works—pressure of the commercial classes. (4.) Opium revenue. (5.) Railway finance.	(1.) Balances. (2.) Taxation. (3.) Curtailment of optional expenditure—public works, &c.

NOTEWORTHY FEATURES.

Revenue:
1862-63 - 45.1.
1870-71 - 51.2.

Taxation during the period.
Certificate tax, 1868-69.
Income-tax substituted, 1869-70.
Raised.
Salt tax raised in Madras and Bombay.

Expenditure:	1862-63.	1870-71.
Civil charges -	15.88	19.13
Army charges -	14.89	16.07
Interest charge -	5.47	5.8
Total expenditure, including other heads -	42.9	49.3

Increase - 6.4

Outlay on Public Works during 1862-63, 1870-71:
Ordinary works - 52.66
Guaranteed railways - 43.5 (from 48.8 in 1862-63 to 92.4).
State outlay on prod. public works - 4·6
100.7

Net deficit:	Surplus.	Deficit.
During the period -	6.2	6.4 = 2
Debt - -	62.3	70.1
	96.8	104.0
Increase - 7.0		
Balances - -	62.3	70.1
	23.1	20.1
Decrease - 3 crores.		

Famines:

		Cost in lakhs.
1865-66.	Bengal, Madras, Bombay -	1,53
1868-69.	North-West Provinces, Central Provinces, Punjab, and Bombay	72

Frontier Expeditions:

Sitanna, Bhotan, Lushai.

Railway net loss to State:
1862-63 - 1.6.
1870-71 - 1.9.

Home charges:
Net expenditure:
1862-63. £4.9 millions.
1870-71. £8.01 millions.

Fresh War Office charges during the period:
£451,000 (*vide* Government Despatches, November 21, 1884).

Two irrigation companies formed, and Port Canning, and other harbour improvement, reclamation companies, &c. (with Government support, direct or indirect).

Opium revenue:
1862-63 - 8.06 crores.
1870-71 - 8.04
1861-62 - 6.36

(1.) Large administrative improvements were required after the Mutiny—Civil.

(2.) Provincial administrations made increasing demands for varied local improvements, not being themselves responsible for funds.

(3.) Public opinion in England urged measures for material progress (deemed neglected by the East India Company).

(4.) The commercial interests of England demanded improvements of communication and other public works.

(5.) The recurrence of famines emphasised the obligation of the State as to protective works.
(*a.*) Private enterprise encouraged in all ways.
(*b.*) State agency since 1867 employed to co-operate.
(100 crores in all spent on public works).

(6.) War Office measures in respect of the British Army imposed a net charge of 450,000*l.* due to amalgamation and unequal military partnership.

Total expenditure rose from 42.9—49.3.

Expanding demands for expenditure:—
(1.) General administrative improvement.
(2.) Public works—productive, ordinary, protective.
(3.) Provincial needs.
(4.) War Office demands.
(2) and (4) beyond the control of Government of India.

Necessity for limitation of expanding demands.

In respect of (3) provincial decentralisation carried out 1870-71.

Post-Mutiny Period of Indian Finance. Division II.

1871-72—1881-82.

(Partially Decentralised Finance.)

Elements of Uncertainty during the Period.	Fiscal Reserves.
(1.) War Office demands. (2.) Famine and Protective action. (3.) Public Works—commercial demands. (4.) Opium revenue. (5.) Exchange. (6.) Railway finance. (7.) Exigencies of Imperial policy in Central Asia.	(1.) Balances. (2.) Taxation. (3.) Curtailment of Public Works—option expenditure. (4.) Famine Grant.

Noteworthy Features.

Revenue:

1871-72 - 50.1 } Railway receipts.
1881-82 - 62.91 }

Taxation:

1871-72.	Income tax reduced.
1872-73.	Income tax revised.
1873-74.	Provincial rates levied.
„	Income tax removed.
1875-76.	Tariff revised and reduced. Excise duty raised.
1877-78.	Opium duty raised.
1878-79.	Licence tax.
„	New local rates.
„	Salt duty raised in Madras and Bombay; cotton duty remitted.
„	Licence tax amended.

Expenditure:

	1871-72.	1881-82.
Civil charges -	18.6	19.2
Army - -	15.68	18.18
Exchange - -	.43	3.55
Total expenditure, including other heads -	49.1	58.81

Increase 9.7 as against
„ 6.4 of the previous period

Outlay on Public Works during the period:

Buildings and roads	42.7	42.7

	1871-72.	1881-82.
Total outlay on guaranteed railways -	94.5	68.7
And State outlay on Public Works -	6.2	59.8
	100.7	128.5
(Excluding capital in railway annuities) Total net outlay	27.7	27.7
		70.4

Debt:

1871-72.	1881-82.
106.9	156.8
Increase - 49.8	

Balances:

24.8	17.14
Decrease - 7.6	

Opium:

9.26	9.36

Famines:

		Cost in lakhs.
1873-74.	Bengal, North-West Provinces, Oudh -	6,75
1876-78.	Madras, Bombay, North-West Provinces and Punjab -	11,19
		17,94

Afghan War:
Cost, 22.2 crores; 5 crores contributed by England.
Net, 17.2 crores.

Home Charges:
Net expenditure:
1871-72. £7.7 millions net.
1881-82. £11.1 millions net.

Fresh War Office Charges for improvement of British Force for the period:—
£485,000.

Famine Insurance Fund formed and fresh taxation; fund diverted.

Provincial rates:

1875-76 -	1,947
1877-78 -	2,255
1879-80 -	2,882
1881-82 -	2,893

Net increase ·948 crores.

Provincial contracts revised:

	Gain to Imperial Revenue.
First Contracts, 1871-72 -	.331
Contracts (revised, 1877-78) - - -	.400

Railway net loss:

1871-72 -	1.7
1881-82 -	.2

(1.) It was an abnormal period of war and famine.

(2.) English public opinion continuing to urge measures of material progress, yet Public Works expenditure had to be reduced, which fell from 100 crores to 70 crores during the period.

(3.) The famines and the vast expenditure required led to the formation of a Famine Insurance Fund, yet the fund diverted to war.

(4.) Fresh War Office charges amounting to 48 lakhs due to amalgamation came upon the Indian budget for increase of military efficiency.

(5.) What disturbed Indian finance most was a change of policy on North-Western frontier. Imperial policy in Central Asia entered upon a new phase with Russia's conquest of Khiva. Afghanistan given up as a neutral zone, and the Amir promised material and moral aid against unprovoked foreign aggression, a change of policy which converted Afghanistan virtually into a British Frontier Protectorate.

The line of the Indus given up as the border line of British India. Indian finance loaded with cost of schemes of Imperial territorial expansion in Central Asia, and a preponderance came to be given to military considerations in our financial arrangements.

Here Indian interests were subordinated to the exigencies of Imperial policy.

(6.) Exchange difficulty increased.

Total expenditure increased by 9.7 crores.

Expanding demands:

(1.) General administrative improvement.

(2.) Public Works. Pressure of English commercial interests.

(3.) War Office demands (amalgamation).

(4.) Treasury Office demands, Central Asian Imperial policy.

(5.) Exchange.

(2), (3), (4), and (5), all beyond the control of the Government of India.

(1.) Further decentralisation.

POST-MUTINY PERIOD OF INDIAN FINANCE. DIVISION III.

1881-82—1894-95.

(Finance decentralised as at present.)

Elements of Uncertainty during the Period.	Fiscal Reserves.
(1.) War Office demands. (2.) Military Expenditure. (3.) Famine. (4.) Public works—commercial pressure as to railways. (5.) Opium revenue. (6.) Exchange. (7.) Railway Finance. (8.) Imperial policy in Asia—conquests and frontier protectorates.	(1.) Balances. (2.) Taxation. (3.) Curtailment of public works—optional expenditure. (4.) Famine grant. (5.) Contributions from Provincial Governments. (6.) Periodical revision of provincial contracts. (7.) Transfer of public works from revenue to capital.

NOTEWORTHY FEATURES.

Revenue, minus railway receipts:
1881-82 - 62.9
1894-95 - 73.0 } crores.

Taxation:
1882-83. Import duties abolished, salt duty reduced, and so, too, opium duty.
1886-87. Income tax substituted for licence tax.
1888-89. Petroleum duty imposed, salt duty raised.
1894-95. Customs duties.

Expenditure:	1881-82.	1894-95.
Civil charges -	19.26	25.55
Army - -	18.18	24.31
Exchange -	3.5	13.0
Total expenditure, including other items -	58.81	73.25

Increase 14.44 as against
„ 9.7 } of the preceding
„ 6.4 } periods.

Outlay on Public Works:
Ordinary public works - - 75.36

	1881-82.	1894-95.
Guaranteed railways - -	68.7	71.1
State outlay on public works -	59.82	115.5
	128.5	186.6

Total net outlay - - 58·0
(Excluding capital in railway annuities = 30 millions).
Frontier strategetic railways, 14.4 crores - - - 14.4
147.76

Debt	1881-82.	1894-95.
	156.8	218.3

Increase - - 61.5

Opium Revenue:	1881-82.	1894-95.
	9.36	7.32

Balances:	1881-82.	1894-95.
	17.14	25.2

Increase - - 8.06

Famines:
Scarcities in Madras and Bombay.

War and Conquest:
Upper Burma.
British Beluchistan.
Gilgit Agency.
Somali coast.
Afghan Protectorate, developed and confirmed (Durand Treaty).
Expeditions beyond the frontier.

Increase of Indian Armies (1886-88):
An Imperial reserve.

Home Charges net Expenditure:
1881-82 - £11.1 millions.
1894-95 - 15.6 millions.

Provincial Rates (due to decentralisation):
1881-82 - 2,895
1885-86 - 2,960
1889-90 - 3,410
1894-95 - 3,541
Increase - .646

Provincial Contracts revised:

	Gain to Imperial Treasury.
2nd Revision (1882-83)	Nil
3rd „ (1886-87)	640
4th „ (1892-93)	466

Provincial Contributions:
1886-87 - .400
1889-90 - .740
1890-91 - .490
1894-95 - .405

Provincial Contribution restored in—
1882-83 - .670

Railway net loss:
1881-82 - .2
1894-95 - 2.348

(1.) The period was a disturbed period of war, panic, and military precautionary measures and territorial annexations, costing us about 70 crores during it.

(2.) English public opinion pressing for material progress, the commercial interests demanding railway extensions, the local services clamouring for increased pay and pensions and exchange compensation. The strain on Indian finance was severe.

(3.) Developments of Imperial policy in Asia involving us in large trans-frontier and other liabilities; Upper Burma and other frontier provinces thrust on our hands for administrative development, which means vast future outlay.
India, now in touch with the great powers of Asia, is necessarily pledged to vast military expenditure.
Indian defence weakened.
Indian finance at the mercy of military considerations
Indian armies increased.

(4.) Exchange difficulty enormously increased concurrently with a fall in opium.
Grant of exchange compensation allowance.
Total expenditure increased by 14.44 crores, as against 9.7 and 6.4 of the previous periods.
Expanding demands:
(1.) Public works.
(2.) War Office demands.
(3.) Demands of Central Asian policy.
(4.) Exchange.
All beyond the control of the Government of India.

Taxation having reached its utmost limits, the enormous growth of expenditure during the period leaves us no fiscal reserve; yet elements of uncertainty and instability of Indian finance have largely grown, and the Government of India is compelled, in the interests of financial solvency, to be able to meet fluctuating and expanding uncontrollable demands to keep tight its hold on every fiscal resource, limiting the means of the provincial administrations on the one side, and reserving its freedom of action in regard to famine grants. Productive public works expenditure and provincial contributions.

APPENDIX No. 79.

(Handed in by Mr. G. K. Gokhale with reference to Q. 18,427.)

COPY of a DESPATCH from the SECRETARY OF STATE FOR INDIA to His Excellency the Right Honourable the GOVERNOR GENERAL OF INDIA IN COUNCIL.

(Financial No. 62.)

India Office, London,
20th February 1879.

MY LORD,

Para. 1. I have considered in Council your Financial Letter, dated the 16th of September, No. 354, proposing a modification of the rules under which works may be sanctioned that are intended to afford protection against famine, and asking that, in special cases, the condition may be waived "that the annual "income from a work must be estimated to be, within "a limited time, equal to the interest charge on its "capital cost."

2. In the Marquis of Salisbury's Despatch of the 23rd of July 1874, No. 387, it was laid down that the only ground on which certain works of irrigation and State railways could with propriety be excluded from the general account of Income and Expenditure, and placed under a separate head of Extraordinary, or as it is now called, Productive Public Works, was that the works included under that head would "prove "remunerative, by yielding, in the shape of annual "income, a sum equal to the interest on the money "expended in their construction, including interest "for the period subsequent to the commencement of "each work during which no income is obtained." If was, however, added, "in regard to such works as shall "be suggested with the view to the prevention of "famine, and which may not come within the class of "directly remunerative works," that your Government were not "necessarily to refrain from proposing them, "if you should be unable to meet the expenditure "from ordinary income, for, in such a case, the works "might properly be constructed from borrowed money, "the expenditure being included among ordinary "charges under a separate head." It was further provided that all funds for productive works must be borrowed in India.

3. Thus the principle was distinctly set forth that none but remunerative works were to be included among those the expenditure on which was excluded from the ordinary accounts; and that, while it might become necessary to borrow for the construction of unremunerative works for the prevention of famine, the charge must be included in the regular accounts as ordinary expenditure.

4. Your Government pointed out that, in your opinion, the adoption of these rules might prove inconvenient, and that, as interest on money borrowed had been paid year by year out of the general revenues, and not provided by increasing debt, the expenditure might be continued on the supposition that any "additional interest on account of money "borrowed for the purpose of constructing extra-"ordinary works will be met from the increased "receipts derived from similar works which have "been, or will from time to time be, completed and "brought into operation." To this argument, however, Lord Salisbury replied, in his Despatch of the 10th of August 1876, No. 305, that, "if works "upon which loan funds have been expended are "not remunerative to the extent of repaying the "interest on the money expended on them, and "additional works be annually undertaken which "will be unremunerative in a similar degree, every "additional work must tend to increase the annual "charge for interest which will fall upon the general "revenues." And, bearing in mind the uncertainty regarding the cost of obtaining from India the large supplies needed for the Home treasury, Lord Salisbury added "that it would be unjustifiable to undertake, "out of moneys to be obtained by borrowing, any "outlay on account of new works, unless their yield "will cover the interest of the loan."

This view was accepted by your Government, and Sir John Strachey, in his Financial Statement, on the 15th of March 1877, observed that "it ought "clearly to be understood that, if such charges as "those for famine and for unremunerative public "works cannot be provided out of the ordinary "revenues, the state of our finances must be "unsound." "It cannot be too distinctly stated that "charges for the relief of famine must be looked "upon as ordinary charges." "For the future, it has "been resolved, in communication with the Secre-"tary of State, that no work shall, under any cir-"cumstances, be classed as extraordinary, unless "we are satisfied that it will yield a net income "sufficient to cover the interest upon its capital "cost."

6. It had been laid down by Lord Northbrook, in 1874, "that, besides a fair surplus of income over "ordinary expenditure, such a margin should be "provided, in addition, in ordinary times, as shall "constitute a reasonable provision for meeting "occasional expenditure upon famines;" and, in referring to the subject in the debate of the 27th of December 1877, Sir John Strachey mentioned the argument of Lord Northbrook, "that, if this surplus "were devoted to the reduction of debt, or to "preventing the increase of debt for the construction "of reproductive public works, in years of ordinary "prosperity, there would be no objection to the public "expenditure exceeding the public revenue in "occasional years of adversity, so that we might then, "without objection, meet the charges on account of "famine from borrowed funds, to the full extent to "which our surplus had permitted the discharge of "debt, or prevented its increase."

7. The cost of the famines was estimated, on an average of years, at about 1,500,000*l.*, and provision was made for meeting this expenditure by measures of financial decentralization and by new taxation. "The Government of India," said Sir John Strachey, "intends to keep this million and a half as an insurance "against famine alone; . . . we consider that "the estimates of every year ought to make provision "for religiously applying the sum I have mentioned "to this sole purpose; and I hope that no desire to "carry out any administrative improvement however "urgent, or any fiscal reform however wise, will "tempt the Government to neglect this sacred trust."

8. On the 9th of February 1878, Sir John Strachey explained in greater detail the mode by which it was proposed to deal with the additional sum raised to meet the famine expenditure. It being a portion of the policy of the Government to borrow certain sums annually for the construction of reproductive works, this amount would be reduced, and the annual addition to the public debt would be proportionately diminished, by the appropriation of the million and a half raised for famine purposes, so that, when, on the occurrence of a famine, it became necessary to borrow, the amount of the debt would remain no higher than if the receipts to meet the famine expenditure and the corresponding outlay had not been brought into the account. "The "soundness of this argument," he observed, "depends "of course on the assumption that the works which "are constructed from our annual contribution of "1,500,000*l.* from the public revenues will be really "reproductive, that is, that they will at the end of the "ten years produce an income at least equal to the "interest which we should have to pay, if we had then "to replace by borrowing a sum equal to that fur-"nished from the new taxes for their construction." Arrangements were to be made with the Local Governments, throwing on them to a great extent the responsibility of protecting the people from famine in the manner prescribed; "the provincial revenues," he stated, "will have to supply to the Imperial "Treasury, or to hold at its disposal year by year, a "sum equal to the interest on the capital expended on "all the reproductive works, constructed either with "borrowed money or funds supplied for the new taxes." In this mode, said Sir John Strachey, the 1,500,000*l.* to be provided as an insurance against famine would be applied "virtually to the reduction of debt; and, when "the calamity of famine actually arrives, we hope not "only to be able to meet it without throwing fresh "burdens upon the country, but to find that our "means of giving efficient relief have been immensely "increased by the useful works which we have carried "in the preceding years of prosperity."

9. These views were repeated, in almost the same words, in the letter from your Government, dated the 4th of January 1878, No. 7; and a general approval of your proposals was given by Lord Salisbury, in his telegram of the 12th of January, and again in his Despatch of the 1st of April last, No. 104, in which, however, he observed, that "it is necessary that, when-"ever the demand for bills and the state of the exchange "will admit, the sum which has been provided from "the Home Treasury to meet famine expenditure

" should be repaid from the million and a half which " is to be raised anually on account of famines.

10. With the view of carrying into effect the policy on which you had determined, your Government published in the Gazette of India Extraordinary for the 18th of March a Resolution, No. 1911, defining the method in which it was to be put in operation through the agency of the Local Governments. It will manifestly be a necessary condition of success," it was observed,* " in carrying out such a policy, that the works under- " taken shall in fact produce the growing income " from which to meet the gradual increase of interest " charge, and it therefore becomes essential to examine " very strictly the character of all projects brought " forward for execution, so that borrowed capital shall " not, under any circumstances, be supplied for any " work of which it cannot reasonably be anticipated " that it will in a definite period of time produce a " net income at least as great as the interest on the " capital outlay upon it. Further the same limitation " . . . must also be applied to . . . . the new " resources lately specially created to provide a surplus " from which to meet charges on account of the relief " or prevention of famine." "The justification for " granting, for productive works, funds from the " surplus revenues which might otherwise be applied " to the extinction of debt, is that, so far as it prevents " an increase of debt, it will virtually be equivalent to " a corresponding discharge of debt, a condition, " however, that cannot be fulfilled unless the works " are properly remunerative." The " dead weight of " interest charge during the time when the income of " the works is not fully developed" might, however, " properly be met from the provincial revenues at the " disposal of the Local Governments for carrying out " works of internal improvement."

11. These are the conditions which, in the letter now under my consideration, your Excellency proposes to modify, in order to complete the transfer of the liability for Productive Public Works to the provincial revenues and to meet the case of works not in themselves fully productive, but intended to give protection against famine, some of which have actually been begun during the late seasons of distress.

12. You explain that, in sanctioning the execution of a work from borrowed money, the cost of which was to fall on the general revenues of the country, you have hitherto, subject to the sanction of the Secretary of State, decided on the merits of each case whether or not the risk of constructing it should be incurred, with reference to the period within which it might be reasonably expected to become remunerative; and you are of opinion that this principle may be extended to the action of the Provincial Governments. At the same time you observe that, if unremunerative works are carried out from the money provided for the cost of counteracting famines, under conditions which reduce the surplus so provided beyond a certain limit, additional taxation will be eventually required to make good the loss. But, owing to the difficulty of discriminating between works strictly productive and those only admissible as providing against the effect of famine, you propose "to accept a yearly " maximum dead-weight charge, to be fixed as " experience may suggest, for works constructed as " productive, whether under the existing strict " conditions, or, as now proposed, in order to prevent " famine, or give protection from famine, or diminish " the expenditure for the counteraction of famine if it " occurs. In other words," you "would limit to a " specific maximum amount the net expenditure for the " interest on the capital cost of all such works and their " maintenance, after setting off all the net income " yielded by the works."

13. This amount you would for the next five years fix at 25 lacs of rupees in any one year, in addition to your "existing net liabilities," and you think that the Famine Insurance Fund of one million and a half sterling may be safely reduced by that sum, on the consideration that the construction of any works not fully productive according to the existing definitions which may be thus facilitated, will cause an equivalent, reduction of your ultimate liability on account of famines when they occur.

14. In this manner you believe that the Local Governments will be provided with the means of undertaking works for protection against famine, while a safeguard will be furnished against the improvident extension of liabilities for works of which the remunerative character is doubtful, and the financial responsibility, which has hitherto rested almost exclusively on the Government of India, will be shared by the Local Governments in a manner practically useful and conducive to the exercise of forethought and economy.

15. With this view you request sanction to a relaxation of the rules under which productive works may at present be undertaken, so that, in exceptional cases, works may be included in that class which are not directly remunerative, provided—

" 1. That a work will be unquestionably useful for " the prevention of famine or as giving protec- " tion therefrom, or that, upon the occurrence " of famine, it will probably cause reduction of " the public expenditure commensurate with its " cost;

" 2. That the total net yearly charge imposed upon " the revenues of India, for the maintenance and " payment of interest upon the capital invested " in productive works of all classes, after setting " off the income they produce, shall not, till the " end of 1883–84, exceed the corresponding net " yearly charge at the present time by more " than 25 lacs of rupees."

16. I have given a most careful consideration to this important question, and regret that I am unable to give my consent to the modification proposed. At the time that your letter was received, Sir John Strachey was in this country, and, with the advantage of the personal explanations received from him, I was in hopes that I might have been able, even if not sanctioning the proposal in the exact form made by your Government, to have sanctioned arrangements which would have been accepted by you as satisfactorily meeting your desire to proceed rapidly with the construction of protective works.

17. The events of the last few months and their effect on our financial position have, however, compelled me to reconsider the question of public works expenditure, and I propose to address your Excellency in another Despatch on this subject. In the meantime, however, I deem it necessary to express the opinion that the present condition of the finances does not justify any loan for outlay on protective works, or any expenditure on them beyond what may be met from the receipts from the special taxation recently imposed.

18. The first claim on these receipts being that of the Home Government for the repayment of debt already incurred on account of famine, I am of opinion that not less than one-half, or say 750,000*l.*, should be held available for remittance to England in the next and ensuing years on that account. The remainder may be appropriated, at your discretion, to the extinction of debt, to the relief of famine, or to the construction of protective works, not necessarily directly remunerative, but obviously productive in the sense of guarding against a probable future outlay in the relief of the population. I cannot, however, under present circumstances, sanction the raising of capital by loan for the construction of works which do not distinctly fall under the regulations laid down for Productive Public Works.

19. To guard againt misapprehension, I deem it necessary to draw attention to a statement in the concluding paragraphs of your letter, that you have omitted from the definition of productive works the condition prescribed in the 49th paragraph of the Despatch of the 23rd of July 1874, that they must be expected "to be remunerative, by yielding, in the " shape of annual income, a sum equal to the " interest on the money expended in their construction " including interest for the period subsequent to " the commencement of each work during which no " income is obtained." This omission you infer that you are justified in making by the tenor of Lord Salisbury's Despatch of the 27th of September 1877, No. 310A. In that Despatch, which directed that the term productive should be adopted instead of extraordinary, and that the results should be exhibited in a new form, it was expressly stated "that no change is " intended to be made in the character of the works " henceforth to be admitted into this category." For the inclusion of any work in the productive class it is necessary that there should be a prospect of its repaying, within a reasonable time, the whole of the interest incurred on the money expended in its construction, though it is immaterial whether the interest which accrued during the process of construction be treated as a charge against the income of future years, or be added to the capital on which interest is to be paid.

I have, &c.
(Signed) CRANBROOK.

* Paras. 76-79.

APPENDIX No. 80.

(*Handed in by Mr. Jacob, with reference to Qu.* 19,877.)

A.—Provincial and Local Net Expenditure. (In thousands of Rx.—000's being omitted.)

	1877-78.	1878-79.	1879-80.	1880-81.	1881-82.	Quinquennial Average.	1882-83.	1883-84.	1884-85.	1885-86.	1886-87.	Quinquennial Average.	1887-88.	1888-89.	1889-90.	1890-91.	1891-92.	Quinquennial Average.	1892-93.	1893-94.	1894-95.	1895-96.	1896-97	Quinquennial Average.	Budget, 1897-98.
Interest - - -	−3	−10	−12	−12	−21	−12	−20	−30	−27	−30	−32	−28	−29	−38	−33	−34	−31	−33	−21	−32	−23	−28	−7	−22	−22
Post Office, &c. -	85	85	84	86	91	86	93	104	101	103	105	101	105	105	106	105	105	105	107	111	112	111	116	111	119
Law and Justice							2,502	2,552	2,625	2,662	2,670	2,602	2,676	2,749	2,732	2,796	2,852	2,761	2,896	2,015	3,052	3,153	3,261	3,081	
Police - -							2,340	2,381	2,441	2,443	2,539	2,429	2,574	2,543	2,598	2,689	2,731	2,627	2,784	2,811	2,932	2,989	3,077	2,919	
Education - - -	6,151	6,338	6,291	6,227	6,386	6,279	939	969	1,021	1,027	1,082	1,008	1,050	1,067	1,098	1,148	1,189	1,110	1,201	1,229	1,268	1,287	1,303	1,257	10,519
Medical - - -							618	640	669	669	662	652	659	672	687	707	780	701	820	853	885	899	922	876	
Other Civil Departments -							393	935	948	902	883	912	898	967	999	970	986	962	1,032	1,050	1,083	1,083	1,111	1,078	
Miscellaneous - -	295	331	428	363	366	357	785	773	796	832	832	804	855	879	915	933	980	913	1,015	1,050	1,059	1,102	1,143	1,074	1,193
Famine Relief -	—	164	—	32	47	49	16	8	6	41	1	14	—	8	68	6	17	20	54	—	10	18	398	96	695
Railways (constructed) -	2	14	9	18	205	49	176	−269	91	132	183	62	81	22	5	−5	163	53	138	74	20	8	14	51	7
Civil Works - - -	2,043	2,283	2,032	2,426	2,888	2,334	3,278	3,199	2,989	2,530	2,908	2,981	2,690	2,801	2,963	3,230	3,586	3,054	3,325	3,225	3,117	3,243	3,462	3,274	3,503
	8,573	9,205	8,832	9,140	9,962	9,142*	11,620	11,262	11,660	11,311	11,833	11,537	11,549	11,775	12,138	12,545	13,358	12,273	13,351	13,416	13,545	13,865	14,800	13,795	16,014
Military Works (Burma) -	—	27	34	50	49	32	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Ecclesiastical (Bombay) -	31	37	39	40	42	38	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Railway Revenue Account -	6	139	99	34	19	59	187	−200	86	126	−19	36	−237	−233	−297	−408	−239	−282	−412	−383	−464	−533	−579	−474	−8
Irrigation - -	198	307	338	465	445	350	382	237	172	310	278	276	668	698	715	705	723	701	639	617	639	799	554	649	569
Total actual net expenditure - -	8,808	9,715	9,342	9,729	10,517	9,622	12,189	11,299	11,918	11,747	12,092	11,849	11,980	12,240	12,556	12,842	13,842	12,692	13,578	13,650	13,720	14,131	14,775	13,970	16,575
Added to balances (+) -	+368	+715	+613	+298	+1,520	+703	—	—	—	+524	+36	+112	+371	+285	+549	—	—	+241	—	—	—	—	—	—	—
Spent from balances (−)	—	—	—	—	—	—	−1,203	−465	−289	—	—	−392	—	—	—	−199	−241	−88	−177	−311	−561	−379	−1,229	−531	−1,190
Total shown in Table XXI., page 72, of Vol. II. of the Royal Commission on the Administration of the Expenditure of India - -	9,176	10,430	9,955	10,027	12,037	10,325	10,986	10,834	11,629	12,271	12,128	11,569	12,351	12,525	13,105	12,643	13,601	12,845	13,401	13,339	13,159	13,752	13,546	13,439	15,385

* For comparison with the figures of a later date, about Rx. 830,000 must be added to the totals of 1881-82, mainly owing to the acceptance by the Government of Madras of a fresh provincial system in place of the one established in 1871, and to the complete provincialisation of Superannuation and Medical Establishments. Other changes have been made from time to time, but not of sufficient importance to affect the comparison of the figures of the different periods.

APPENDIX No. 81.

(*Handed in by Mr. Jacob, with reference to Qu.* 19,915.)

B.—Bombay Provincial and Local Expenditure.

Year.	Thousands of Rx.										
	Civil Departments.								Miscellaneous.	Public Works (including Famine Relief and construction of Railways).	Grand Total.
	General administration.	Law and Justice (Courts).	Law and Justice (Gaols).	Police.	Education.	Medical.	Other.	Total.			
1877–78	125	445	117	439	210	134	27	1,497	196	293	1,986
1878–79	123	442	114	400	202	130	26	1,437	171	468	2,076
1879–80	121	437	109	405	201	131	24	1,428	198	452	2,078
1880–81	124	432	94	413	212	132	29	1,436	186	432	2,054
1881–82	123	432	80	412	228	134	32	1,441	190	499	2,130
Total	616	2,188	514	2,069	1,053	661	138	7,239	941	2,144	10,324
Average	123	438	103	414	211	132	27	1,448	188	429	2,065
1882–83	123	436	71	448	251	134	28	1,491	219	578	2,288
1883–84	127	441	67	472	259	138	34	1,538	205	588	2,331
1884–85	129	453	65	486	265	144	42	1,584	204	634	2,422
1885–86	128	448	61	493	266	144	44	1,584	228	540	2,352
1886–87	133	442	59	513	295	144	35	1,621	229	685	2,535
Total	640	2,220	323	2,412	1,336	704	183	7,818	1,085	3,025	11,928
Average	128	444	65	482	267	141	37	1,564	217	605	2,386
1887–88	135	437	54	537	288	146	24	1,621	221	620	2,462
1888–89	136	436	60	521	299	145	26	1,623	251	581	2,455
1889–90	136	431	64	519	302	139	26	1,617	230	585	2,432
1890–91	137	441	63	528	311	146	26	1,652	235	625	2,512
1891–92	141	439	64	548	319	149	28	1,688	258	769	2,715
Total	685	2,184	305	2,653	1,519	725	130	8,201	1,195	3,180	12,576
Average	137	437	61	530	304	145	26	1,640	239	638	2,515
1892–93	141	437	65	530	319	161	26	1,679	264	668	2,611
1893–94	143	451	66	535	324	166	27	1,712	270	603	2,585
1894–95	151	460	66	577	336	173	31	1,794	280	622	2,696
1895–96	150	467	65	590	343	175	29	1,819	282	638	2,739
1896–97	154	457	69	613	345	188	29	1,855	299	729	2,883
Total	739	2,272	331	2,845	1,667	863	142	8,859	1,395	3,260	13,514
Average	148	454	66	569	334	173	28	1,772	279	652	2,702

APPENDIX No. 82.

(Handed in by Mr. S. Jacob, with reference to Qu. 19,952.)

C.—MADRAS PROVINCIAL AND LOCAL EXPENDITURE.

Year.	Thousands of Rx.										
	Civil Departments.								Miscellaneous.	Public Works (including Famine Relief and construction of Railways).	Grand Total.
	General Administration.	Law and Justice (Courts).	Law and Justice (Gaols).	Police.	Education.	Medical.	Other.	Total.			
1882–83	113	384	90	378	183	153	52	1,353	237	602	2,192
1883–84	112	387	79	381	188	161	40	1,348	245	645	2,238
1884–85	118	395	80	382	190	167	39	1,371	244	690	2,205
1885–86	116	390	80	378	200	170	40	1,374	248	616	2,238
1886–87	120	393	88	392	191	165	41	1,390	240	600	2,230
Total	579	1,949	417	1,911	952	816	212	6,836	1,214	3,153	11,203
Average	116	390	84	382	190	163	42	1,367	243	631	2,241
1887–88	117	399	86	379	192	166	47	1,386	270	601	2,257
1888–89	118	408	83	376	188	169	48	1,390	276	632	2,298
1889–90	122	413	80	384	204	177	50	1,430	291	693	2,414
1890–91	124	418	84	399	234	178	51	1,488	292	721	2,501
1891–92	129	430	98	416	248	246	58	1,625	250	824	2,699
Total	610	2,068	431	1,954	1,066	936	254	7,319	1,379	3,471	12,169
Average	122	414	86	391	213	187	51	1,464	276	694	2,434
1892–93	128	449	103	422	261	249	58	1,670	255	833	2,758
1893–94	130	453	105	437	273	260	63	1,721	265	708	2,694
1894–95	134	465	103	440	278	267	54	1,741	280	666	2,687
1895–96	136	467	103	458	284	272	51	1,771	290	774	2,835
1896–97	132	459	100	465	279	271	61	1,767	291	823	2,881
Total	660	2,293	514	22	1,375	1,319	287	8,670	1,381	3,804	13,855
Average	132	459	103	44	275	264	57	1,734	276	761	2,771

APPENDIX No. 83.

(*Handed in by Mr. S. Jacob, with reference to Qu.* 19,969.)

D.—Bengal Provincial and Local Expenditure.

Year.	Civil Departments.									Miscellaneous.	Public Works (including Famine Relief and Railway Construction).	Grand Total.
	General Administration.	Justice (Law and Courts).	Justice (Gaols).	Police.	Education.	Medical.	Marine.	Other.	Total.			
	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.
1877–78 -	140	646	165	445	257	139	127	32	1,951	158	554	2,663
1878–79 -	148	658	186	406	257	126	124	31	1,936	152	686	2,774
1879–80 -	152	669	184	402	249	119	107	36	1,918	169	714	2,801
1880–81 -	157	686	168	403	257	113	109	33	1,926	168	871	2,965
1881–82 -	156	714	160	409	280	109	105	56	1,989	161	1,063*	3,213
Total -	753	3,373	863	2,065	1,300	606	572	188	9,720	808	3,888	14,416
Average -	150	675	173	413	260	121	114	38	1,944	161	778	2,883
1882–83 -	162	762	166	446	302	138	95	39	2,110	274	1,048*	3,432
1883–84 -	167	762	170	459	316	137	87	45	2,143	250	839*	3,232
1884–85 -	173	773	168	480	340	146	85	42	2,207	274	674	3,155
1885–86 -	171	800	174	479	329	144	83	39	2,219	287	629	3,135
1886–87 -	175	795	167	470	337	146	85	33	2,208	276	768	3,252
Total -	848	3,892	845	2,334	1,624	711	435	198	10,887	1,361	3,958	16,206
Average -	170	778	169	467	325	142	87	39	2,177	272	792	3,241
1887–88 -	172	794	153	480	352	145	92	34	2,222	276	645	3,143
1888–89 -	182	810	180	485	349	152	107	36	2,301	271	782	3,354
1889–90 -	189	815	190	531	351	157	121	36	2,390	278	767	3,435
1890–91 -	186	824	204	590	353	163	94	34	2,448	301	786	3,535
1891–92 -	191	848	202	599	366	165	94	37	2,502	333	832	3,667
Total -	920	4,091	929	2,685	1,771	782	508	177	11,863	1,459	3,812	17,134
Average -	184	818	186	537	354	157	182	35	2,373	292	762	3,427
1892–93 -	195	853	211	611	359	171	94	37	2,531	338	775	3,644
1893–94 -	202	883	207	586	365	184	94	49	2,570	341	734	3,645
1894–95 -	202	891	201	618	377	196	89	48	2,622	326	724	3,672
1895–96 -	206	883	226	636	383	203	87	57	2,681	336	809	3,826
1896–97 - (revised).	206	889	247	647	388	215	88	49	2,729	342	1,125	4,196
Total -	1,011	4,399	1,092	3,098	1,872	969	452	240	13,133	1,683	4,167	18,983
Average -	202	880	218	620	375	194	90	48	2,627	337	833	3,797

* These figures are adjusted so as to throw out of the account the large refund in 1883–4 from Imperial to Provincial of Rx. 288,000 on account of railway capital expenditure incurred and charged to Provincial in the two preceding years.

APPENDIX No. 84.

(*Handed in by Mr. Jacob with reference to Question* 20,003).

EXTRACT from SPEECH by the Honourable Sir J. WESTLAND in the course of the discussion of the FINANCIAL STATEMENT for 1897-8 in the LEGISLATIVE COUNCIL on March 27th, 1897.

Now, my Lord, to go on with this vexed question of the provincial settlements. The Honourable Mr. Sayani, if I correctly followed him, stated that the arrangements of the Government of India were made upon the theory that the revenues were not the revenues of the separate provinces and were not appropriable to the expenditure of several provinces but were the revenues of a common fund, the local governments being merely the agents of the Government of India for their realisation. I think he mentioned the theory in some words like these, only for the purpose of condemning it. Well, I wish to assert that theory in the most positive manner I can. The revenues of India are the revenues of the Government of India—its constitutional possession. The Government of India is a body created by Act of Parliament, and if reference is made to that Act of Parliament it will be seen that the revenues of India are the revenues of the Government of India and of that Government alone. Every action that the local government takes in respect of them must be justified by a specific order of the Government of India; the local governments derive their powers entirely from the Government of India, and apart from that Government they exercise no financial powers whatever. Now I may go on to expand a little and show what the real meaning of this claim is. I may begin by taking an illustration. I will imagine that the residents of Calcutta come to His Honour the Lieutenant-Governor of Bengal with a remonstrance regarding the application of the revenues which are levied in Calcutta itself. The stamp revenue in Calcutta, the excise revenue in Calcutta, the assessed taxes levied in Calcutta, all amount to a very large sum. The inhabitants of Calcutta, I will imagine, make a representation to the Lieutenant-Governor that it is unjust that these revenues levied in Calcutta, and paid by the residents in Calcutta, are distributed over the expenditure in other places. His Honour the Lieutenant-Governor would justly point out that this claim was based on a false foundation. He would point out that the wealth of Calcutta was entirely derived from its being the commercial centre of a large tract of country; he would point out that the administration of this tract of country was in the hands of the same body (whether you talk of the English Government or of the Government of India or of the Government of Bengal) which administered Calcutta. He would point out that if the districts behind Calcutta were in the hands of another power, if they were not organised, if they were left either to anarchy or possession of a foreign power, Calcutta would never be what it is—it would not be a centre of the wealth and commerce of the great province of Bengal. He would point out further that in taxing the people of Calcutta he was only taxing the general wealth of the province of Bengal. Its commerce all tends to this centre. Many wealthy landlords who derive their revenues from the lands in Bengal come to Calcutta and spend it here. Calcutta is a city which is inevitably linked with the districts of Bengal and cannot be separated from them and would not exist without them. He would further say it was out of the question that different principles should apply to the taxation and administration of Calcutta and of the districts of Bengal, and he would say that for financial purposes they must be taken as one single fiscal body and that the tax levied in one place must be considered appropriable to the expenditure all over the provincial administration.

But now I go further and ask why this principle should stop at the confines of Bengal. The division between Bengal and the North-Western Provinces is merely a geographical line. There is no division as regards the distribution of wealth or trade. There is no division as regards the fact that all this country, whether the North-Western Provinces or Bengal, supplies the commerce of Calcutta. Calcutta derives its commerce and its wealth from the whole of the North-Western Provinces and even from the Punjab as well as from Bengal. The same argument, therefore, which justifies His Honour the Lieutenant-Governor in using the taxation which is levied in Calcutta as part of the general funds usable for the general purposes of his administration, carries us farther and shows that the appropriation of this taxation cannot be confined within those boundaries, but the amount must be, in part at least, equally appropriable even further north. Bengal is a wealthy country which has many large cities, but its wealth is derived from the fact that it lies in such a position that the wealth and trade of other provinces drain through it. The revenues of Bengal therefore cannot be justly claimed by the people of Bengal as entirely appropriable to their own purposes, but must be considered at least with reference to the claims upon them arising out of the administration of the provinces further away. I am taking Bengal only as an illustration, but exactly the same arguments apply to the revenues of Madras and Bombay. They are all territories which derive their wealth from the fact that they lie between a hinterland and the sea, and that through them the wealth of that hinterland passes to the sea-board.

I take another illustration to show that the revenues of these provinces cannot be claimed as appropriable only to expenditure within their geographical limits. Supposing Bengal existed, as at one time it did exist, as a separate province; that the North-Western Provinces were in the hands of a foreign power which owed no allegiance to the British Crown. What would be its necessities? It would have for one thing to maintain a very large army. In the case of Bombay, if you go a century back, you find that it was surrounded by great and warlike chiefs of Rajputana and Central India, and by a powerful Mahommedan chief, the Nizam; the Mahratta powers were continually on its frontiers; and Bombay had to maintain its integrity by possessing a large military force. The same may be said of Madras. Mysore at one time was a foreign territory and Madras had to protect itself by a military force against Mysore and also against the Government of the Nizam. The British Power has advanced since these days. It now covers the whole of the interior country, and the consequence is that Bombay, Madras and Bengal have no longer to maintain within their borders the military forces which under a different system they would have to maintain. The number of soldiers in Bengal is very small, but the reason is that the army, which under other circumstances we would have to maintain in Bengal, has passed forward into the districts of the North-Western Provinces, and is now scattered over those districts and also over the Punjab. The warlike populations, which under other circumstances would swoop down upon Bengal and against which Bengal would have to protect itself, are now themselves peaceful subjects of the British throne, and are held from a military point of view by the soldiers which are located within their territories. Similarly, in the case of Bombay, we have now moved its troops forward. They are stationed in Mhow, they are stationed up the valley of the Nerbudda, they are stationed within the Nizam's territory at Hyderabad. But those military forces would have to be located in the military districts of Bombay, if circumstances had not changed so as to enable us to carry them forward into other lands. Now can it be legitimately claimed in any way that the revenues, on the one side of Bengal or on the other side of Bombay, are not legitimately appropriable to the maintenance of these forces. Every province in India gains enormously by the fact that the other provinces in India are held under the same dominion as itself. It might be possible to imagine a state of things where Bengal was possessed by the English, the North-Western Provinces by Russia and Bombay by some other power. Under these circumstances, what would happen? Would not each of these provinces be burdened by an enormous military expenditure from which at present it is entirely free. So that every province benefits by the fact of the other provinces being grouped and combined with it under the single tenure of the British Power. If that is the case you see there again the argument which prevents any one

of those provinces from claiming any exclusive right to the benefit of the revenues raised within its geographical area, and justifies the Government of India in looking upon the whole of those revenues as contributed to one common fund which is to be administered not for the benefit of the particular province but for the common purposes of the Empire.

I need not go on to talk of the other mutual relation between the provinces, railways now run joining one province to another and linking them into one common system. You have the charges of the central administration in this country and the charges which are administered by the Secretary of State. You have the payment of interest on debt. In all of these each province has its share. On all these grounds you find that it is absolutely impossible—even if you were to attempt to sit down and work out the problem—to assign any particular revenues as properly appropriable to the expenditure in any one province.

Still less is it possible to consider them as assigned to the comparatively small portion of the expenditure which is called provincial and here there is one great mistake made by many members. The importance of provincial expenditure naturally bulks very largely in the eyes of civilians. They see round them what is being spent upon civil administration and they see in every direction the many requirements that have to be met in civil administration, and in all those matters in respect of which financial powers are given to the local governments. It is not unnatural for them under these circumstances to regard the administration of the provinces as the main purpose of the revenues of the Government of India. But really this is not the case. If you look at the accounts you will find that there is no justification for looking at the provincial governments as having to provide for such a large proportion of the expenditure. I pointed out this last year, but I would ask the attention of honourable members to the yellow book which I laid upon the table a week ago. If you look at the accounts there on page 13, where the whole of the expenditure of India, in India, not in England, is distributed between Imperial, provincial, and local, you will find that the expenditure on Imperial account amounts to 44½ crores and the expenditure on provincial account amounts to only 20 crores—less than half the Imperial. So that even as regards the distribution of expenditure between Imperial and provincial, the provincial only bears a very small share. This also shows you how impossible it is to base any theory of financial administration upon a system of the appropriation of the revenues of each province to that province and to no other province.

Every honourable member will admit, I fancy, the entire truth of the theory which I have been urging—the theory which regards all revenues as revenues of a single empire—so far as concerns the circumstances which existed before the provincial service scheme was initiated. Before 1870 every expenditure, wherever it was incurred, was expenditure of the Government of India. Now I would ask what is there in this provincial scheme which leads honourable members to suppose that it ever was the intention of the Government of India to give up any portion of its revenues? That was in no degree the purpose of the scheme, taking it either in its initial form in 1870 or in its subsequent form in 1877. It was merely lopping off a certain portion of the common revenue and placing that portion of revenue in the hands of the provincial government, as agents of the Government of India, under certain definite conditions and terms, and telling it, "you have "the charge of all this expenditure, and we give you "so much of our revenues in order to meet it." You will not find in any of the documents relating to the institution of the provincial service scheme any foundation whatever for the theory that the Government of India at any time parted with its dominion over its own revenues or intended to apply any new system of administration to them. In the same way as before 1870 or before 1877 it was free to apply revenues derived from any part of the Empire to the expenditure in any other part, in that same way it remained free and has remained perfectly free up to the present time. And so when the Honourable Mr. Sayani tells me that the Government of India is always coming down on the provincial governments and asking them for more and more, and when His Honour the Lieutenant-Governor begins to talk of my demanding money from him in this last provincial settlement—a contribution from his revenues—I deny the position altogether. I admit that the Government of India five years ago assigned certain revenues to the Government of Bombay, to the Government of Bengal and to other Governments, but that assignment was made for five years only. It was distinctly limited to that term. At the end of the five years the Government of India re-enters absolutely into the rights it previously possessed, and then, if the provincial government is to continue to exercise any financial powers, a new provincial settlement has to be made.

Now upon the question of periodical revision I wish to point out that if it were possible to regard the assigned revenue and the assigned expenditure of any provincial contract as both of them absolutely stationary, it is obvious that a contract made in 1877 upon the basis of the stated amounts of expenditure and of revenue is a contract which could subsist for all time. But both revenue and expenditure are progressive and, I am thankful to say that, at present at any rate, apart from the calamities of the present season, revenue is more expansive than expenditure. Now upon an increasing revenue there are these claims: In the first place there is the claim of the taxpayer. The taxpayer has a right to demand that we shall not spend the whole of our taxes if we can carry on the administration with a smaller amount. He has a right to say that we should be as economical as possible and that we should not consider ourselves justified in perpetually levying from him the same rate (and an increasing amount) of taxation if by any means we can secure a reduction of it. That, therefore, is the first claim upon an increasing revenue—the claim of the taxpayer. The second claim—and I deliberately put it in the second position—is the claim of an increasing expenditure. In a country like India, progressive in all provinces, more in some and less in others, there are continually new requirements which have to be met. I admit that the increase of revenues ought in some measure to be diverted to meet these requirements; but it is obvious that if we admit an increase of expenditure equal to the increase of revenue we shall never have anything whatever wherewith to satisfy the first and primary claim, which I regard as that of the taxpayer. What we actually do when we take a provincial contract is that we divide the revenue for a time between the Imperial government on the one side and the provincial government on the other. As a whole the revenue, Imperial and provincial, is about equal to the expenditure, Imperial and provincial. Altogether the total revenue does not exceed the expenditure more than two or three per cent. of the amount. While we hand over to the provincial government a share of that revenue equal to its expenditure, we keep for ourselves on Imperial account a share of the revenue which is equal to our share of the expenditure. Now taking both of these together, as I pointed out, we would be in a very unsound financial position if we used the whole of the increased revenue in meeting increases of expenditure. The obligation lies upon the provincial as well as upon the Imperial Government to limit its expenditure in such fashion that it shall have some revenue to give up—some revenue which can be utilised, if possible, for the remission of taxation. It is this necessity—an absolute necessity of a sound financial system—which gives rise to these periodical revisions of the provincial contracts. It is not consistent with sound finance that we should find ourselves at the end of five years in such a position that the provincial government has got to retain the whole of the revenues that were assigned to it five years before, because it is obvious that if that were the case there would be nothing remaining, so far as the provincial share of the revenues is concerned, to satisfy what I have called the claim of the taxpayer. Now in what possible way are you to make a contract of a permanent character which will meet this claim of the taxpayer? There are two ways in which you can do so. In the first place you can follow the plan which we at present adopt; that is to say, we make over the revenues definitely for five years: we make a comparison of revenue and expenditure when we come to the end of the five years, and if we find it possible we call upon the provincial government to give up part of its revenues—that is to say, part of the increase of the revenue which has taken place during the five years. There is another way in which it can be done, and that is that instead of giving the local government the whole of the increase of its share of revenue, we can say it is only to get half or some other proportion, and the remaining half is to be resumed to the general account in order that, if possible, it may be utilised for remission of taxation.

His Honour the Lieutenant-Governor has quoted from Sir David Barbour an opinion which Sir David Barbour gave before the Commission now sitting in London, that this intention of periodical revision was not present to the minds of the original authors of the provincial system. I am afraid that Sir David Barbour at that moment had forgotten his facts. I shall read a sentence which is taken from the Financial Statement of 1877–78, the very financial statement which developed the system of assignments of revenue. In fact Sir John Strachey in this statement is talking of the new provisions for the assignment of specific revenues in place of an assignment fixed in amount. What he says is:—

"The most important of the revenues transferred are excise, stamps, and the hitherto reserved revenues under law and justice: the net revenue assigned under these heads is 640,600*l.*; and the transfer has been made subject to certain conditions. These sources of revenue have gone on pretty steadily increasing throughout India; and it is not proposed to surrender to the local governments any part of that normal growth of income which might have been expected to continue if no change of system had been made. On the other hand, while we desire that the local governments shall share largely in any increase of revenue to which their own improved administration may lead, it is evidently reasonable and necessary that the Imperial revenues should share in this increase also."

This, as I say, is the declaration made at the time of the assignment of revenues. It is obvious, therefore, that the provision for the revision of the contract in the sense of withdrawing from the provincial governments part of the revenues they enjoyed was an essential part of the original revenue-assignments system.

I ought to have mentioned when I was talking of the two measures which may be adopted to resumption of part of the increase of provincial revenue, that it is more advantageous for the local government that it should get a full share of this increase of revenue for five years, and then have the excess taken from it, than that the excess should be taken from it every year as would necessarily be the case if it were allowed only portion of its share of increase and not the whole. So that of the two possible systems, that system which has been adopted is the most favourable one to the provincial governments. But there is another reason why the system of revision is necessary, and that is that the settlement of a permanent contract involves a dip into futurity which our financial experience at least shows us we are entirely unwarranted in making. I regret to say that there is nothing more uncertain in many respects than Indian finance. Last year we were swimming with our heads far above water, looking forward to a time when part of the taxes which have of late years been imposed might be considered as capable of remission. Before we had gone very far we saw that the calamity of a famine was upon us, and at the end of this financial year we proclaim deficits of large extent. Is that not a lesson that one ought not to prophesy too securely about Indian finance, or make arrangements which involve an assumption of permanency in the relations between revenue and expenditure?

There is one thing to be borne in mind in respect to these revisions, in respect to any contract of the kind, and it is this, that the Government of India is responsible for everything that is done in the matter of expenditure and revenue all over India. That is a responsibility of which it can never wash its hands. It can never say to a provincial government, "I have "handed over to you certain revenues, and I am very "sorry you have gone beyond them but you must get "out of the difficulty as you best can." We cannot remain in that position and stand aside. We are as much responsible for a deficit in the provincial accounts as we are for preventing a permanent deficit in our own account. It is, therefore, obvious that if we make a permanent contract with a provincial government that contract must be an entirely one-sided one. It is a contract that must be based on these terms: that if everything is successful, and if the local government finds its revenues sufficient for its increase of expenditure, then the contract would remain good. But if the local government through any calamity loses its revenues, or finds an excess of expenditure over revenue which is perfectly unavoidable, then the Government of India would have to come forward to help it. The contract can be permanent only in the cases in which its permanency favours the local government. It is rather assumed in all these discussions that a revision of contracts must necessarily be a revision in favour of the Imperial Government. Now I would draw attention to the fact that in the current revision, at any rate, the revisions have not been all in favour of the Imperial Government. We have found, as a matter of fact, that through certain circumstances which I need not here explain, certain provinces, namely, the Punjab, the North-Western Provinces and the Central Provinces, are all in such a position that they can not be expected to get on without increase to their previous assignments of revenue. The revision of revenue in these cases has to be made to the detriment of the Imperial revenue. It may be said that we might have left those governments to flounder in their deficit.' But we cannot divest ourselves of responsibility, both financial and other, for their administration, and moreover we are their bankers; they cannot provide funds out of their present assignment to meet what we consider their necessary expenditure, and it is perfectly impossible for us to leave them in that condition. We have satisfied ourselves that this deficit of provincial resources cannot be met otherwise than by adding to the provincial revenue, and we have therefore in those three cases come forward to add to the assignments given them in 1892, and to establish them again on a sound footing, running from 1897. It is very natural that His Honour the Lieutenant-Governor and the other governments which find themselves in prosperous circumstances, should decry this system of revision, and say that it is extremely desirable that revisions should not take place and that they should be left exactly in the position in which they are at present. But if a vote were now taken among the local governments, I can give the names of three who would give an opinion directly contrary to the opinion expressed by His Honour the Lieutenant-Governor. It is very curious, but I was reading a short time ago the record of certain deliberations which took place in 1892 among the members of the Government of India on this very question of prolonging the terms of the settlement. Sir David Barbour at that time was Finance Minister. He pronounced it to be impossible, as it most certainly is, but one of the members who pronounced very strongly in favour of prolongation and declared that the term of the contracts should be made longer was Sir Charles Crosthwaite, who afterwards became the Lieutenant-Governor of the North-Western Provinces. If he were now asked for his opinion he would say, I am afraid that Sir David Barbour was perfectly correct and would admit that the system of revision was necessarily a part of the provincial contract.

There is another theory to which utterance has been given to-day in the speech of the Honourable Mr. Sayani—a speech I admit which was very pregnant in suggestion, and which it will be useful for us to read at leisure—he made a suggestion that it was wrong that two-thirds of the revenue should remain Imperial and that one-third only should remain provincial. I watched to see whether he would give any reason for this opinion; there was none, he simply said there were certain objects of expenditure which were very desirable under provincial governments, and if they had more than one-third of the revenue they would meet that expenditure. I have not the smallest doubt of it. I do not wish to hint that local governments make bad use of their money, on the contrary, I am quite sure they would make excellent use of more money if they had it. But taking the figures of 1895–96 the total amount of expenditure for which revenue has to be provided comes to 44 crores of rupees of Imperial expenditure, and 20 crores of provincial expenditure. Well, we have for that purpose, as I have pointed out, a nearly equal amount of revenue, namely, 64 crores to distribute. At present we give 20 crores to meet provincial wants and we keep 44 crores to ourselves to meet Imperial expenditure. Now, if we are going to start on some abstract principle that the provincial governments ought to have some theoretical proportion of this revenue and that that theoretical proportion is something more than 20 crores, that we ought on a sort of a general consideration of comparative necessity of provincial heads of expenditure and Imperial heads of expenditure to give to the former more than 20 crores, then I ask how are we to provide for our own crores? We have only 64 crores altogether. If we give 21 and thus enhance the provincial share of revenue by one crore or 5 per cent., we reduce our own available revenues to 43 crores. How, with that 43 crores of revenue, we are to meet 44 crores of expenditure I confess I do not know. Of course it would result in our imposing some new tax in

order to find the missing crore. And that, as I said in my first speech, is what I desire to bring home to honourable members; that is, there is no use of our talking of providing for increases of expenditure of any kind without considering where we are to find the money for it; that if expenditure is increased it means that we have either to put a direct burden upon the taxpayer or, at least, postpone a remission of taxes which would be otherwise possible.

The Lieutenant-Governor has alluded to another matter which I cannot help thinking a very serious one, namely, the consequences of the provincial governments having, like the Government of India, expanded their councils. These councils take, and are justified in taking, and it is their business to take, a very deep interest in the finances of their provinces. They naturally see the requirements of the provinces and they naturally bring those requirements sharply and continually before the local administrations. The financial questions do not now lie between the Government of India and the head of the local province. They are now questions between the Government of India and a local governor, subjected to all the urgencies of his local council. There is one difficulty in this position at present, a difficulty which will have to be met when we examine the question which His Honour has pressed upon us, a question to which I may say I have given no small amount of consideration. The difficulty I allude to arises from the fact that, under the present constitution of provincial finance, the local governments do not have to find funds by exercising their powers of taxation. A local governor is not in a position to say to his council regarding a great part of the expenditure pressed upon him that "if you want "this expenditure, you must be content to bear the "necessary new taxation." At present the expenditure is pressed upon him always in the shape of requesting him to get a new assignment from the Government of India. The burden, therefore, of supplying the money under present circumstances falls upon the Government of India. It is here that the difficulty arises, because each province has to weigh its demand for expenditure, not against the burdens which it itself would have to bear, but against the possibility of throwing burdens upon the whole of India. Now, in touching upon the subject, I wish it to be understood that I do not speak for my colleagues. I have stated that I have given some consideration to the question of an alteration, in some respects, of the provincial system, because I feel with His Honour the Lieutenant-Governor that the present system is one which cannot last. The Government of India cannot be placed in the position of having to bear all the expenses and all the odium of having to impose new taxes; but at the same time if the expenditure which is pressed upon us by the various local governments is to be met, it is a question of new taxation and of nothing else. The idea which has struck me as a possible issue out of this—an idea regarding which I have conversed with various high officers and also with His Honour the Lieutenant-Governor—is that we should separate the provincial revenue and expenditure into two classes, one being the general account and the other the local account in every province. There is at present local taxation levied for local purposes, but there is no definition as between the appropriation of provincial revenue and the appropriation of local revenue to these purposes. Local boards bear only a portion of the expenditure for medical purposes, for educational purposes, for roads and various other things, and this is the class of expenditure in which local councils are naturally most urgent. It includes a class of expenditure which, as my honourable friend Mr. Stevens mentioned, is extremely urgent in Bengal, namely, that of sanitary improvement. But as matters are at present arranged the local taxation is nowhere equal to meet the whole of this expenditure, and the consequence is that the provincial government has to meet a great deal of it itself. The result is that when pressure is put upon the local government to find funds for this class of expenditure, it is in the form of demanding further funds out of the general revenues for meeting the expenditure and not of proposing any increase of local boards. Now it strikes me that it would be well to separate off the whole of this class of expenditure, whether it is met out of local taxation, or whether it is, as at present, largely met out of the general revenues, into a separate account, and in respect to that separate account to make a permanent assignment from general revenues to the local government. There would be no revision wanted in a contract of that kind. If, for example, we found that we could separate off the whole of that expenditure as it stands in Bengal, we would say that for this expenditure a certain definite sum fixed once for all would be given out of general revenues in addition to local taxation to cover the whole amount, then we might make that portion of the account an absolutely separate one. We would treat it as a separate branch of finance under the local government and under the local councils. The result would be that the local councils when they pressed, as they are continually pressing (and I do not in the least degree wish to indicate that their action in pressing is unreasonable on their part), but when they press for expenditure of that kind they would also know that they would have to find the means for it by some sort of local taxation. That is the theory of financial control and responsibility; the whole theory is that those who press for expenditure should know that they will have to bear the burden of it. If, for example, we were to hand over the cesses and taxes as revenues for local purposes we would be placing in the hands of local councils a power of getting more revenue if they thought it worth while. There is a system of finance of this kind which I took the opportunity of studying in Belgium some years since. There is there not only a central financial body but a provincial body whose functions are defined exactly in this way; that is to say, certain classes of expenditure are made over, and are to be provided for by those provincial bodies, and the Government makes them a definite and final assignment for the purpose. The assignment in Belgium is part of the assessed taxes and the local taxes besides. The result is that these provincial bodies, if they want to extend the class of expenditure in their charge, have to do it by finding local taxes or by adding to the assessed taxes. The assessed tax in Belgium is not equal in every province. Of the total amount part is an assessment common to all Belgium which goes to the central government, part is an assessment varying with each province, and going to the provincial councils. The Honourable Mr. James will also be glad to hear that one of the sources of revenue of the provincial councils of Belgium is a dog tax.

These are the general lines in which it seems to me a solution of many difficulties will be found. We will have to continue the present system so far as it relates to the general functions of the Government, that is to say, the administration of the country, the administration of law, and the various other big branches. With regard to this part of the account we have to do exactly as we do at present, continue the five years' contract system, but it is not for the most part in that class of expenditure that new and heavy demands are made on the local governments.

And here I take the opportunity to say something about a particular demand in Bengal pressed upon me by more than one speaker to-day, and that is with regard to the General Hospital in Calcutta. In this matter I can speak for the Government of India and for His Excellency the Viceroy as well as myself. We perfectly recognise the extreme urgency of this demand. It is very sad, that when we compare the city of Bombay and the city of Calcutta we find one of them with magnificent hospitals founded by merchant princes, and the other so devoid of proper provision of the kind. We do not possess these merchant princes in Calcutta, and the consequence is that we have a general hospital in which I agree with my honourable friend Mr. Chalmers that the only thing to be done with it is to raze it to the ground. Now I will read a paragraph from the Government of India's letter of the 17th March last to the Government of Bengal on this subject.

"The Government of India feel that this decision (that is to say, that we could not afford all the money the Lieutenant-Governor asked for) will, in one respect, cause great disappointment to His Honour the Lieutenant-Governor, namely, in respect of his plans in connection with the European General Hospital in Calcutta. They do not differ from His Honour's estimate of the urgency of this work, * * *.

"The strain of the present famine has unfortunately further postponed the expenditure; but the Government of India, while excluding from immediate consideration any additions to the assignment on account of this special demand, hope that it may not be found impossible for them to give some assistance towards it when the financial horizon becomes clearer."

That is hardly a pledge, though I admit that it means that if we were well off we should try to find our way to helping the Lieutenant-Governor of Bengal to build

a hospital which would be worthy of Calcutta and would meet the tremendous demand that there is in Calcutta for a decent European hospital.

The Honourable Mr. Stevens has also accused me of want of generosity towards Bengal in this last Provincial settlement. I reply to the general accusation of illiberality by pointing out that at least I have been more liberal in this revision than in any previous revision the Government of India has been, inasmuch as in three provinces out of the eight I have enhanced assignments. But with that one passing objection I will address myself to his figures on the subject. And in passing, I demur altogether to His Honour's statement that the matter is in dispute between the Government of Bengal and the Financial Department. It is quite true that the Government of India has issued orders on the matter through the Financial Department, but His Honour the Lieutenant-Governor is sufficiently well acquainted with the course of business in the Government of India to know that an important matter like this, although those orders were issued through the Financial Department, they are really the orders of the Government of India as a whole. Now I wish to draw attention to one paragraph in the financial statement, in which I showed the exact figures of the way in which the various provinces had been dealt with. If reference is made to paragraph 50 it will be seen that in the present revision we have allowed for expenditure in Bengal which is 10·9 per cent., in addition to the expenditure which was provided for in 1892. I think that is a very fair allowance on the face of it. If any Government increases its expenditure at the rate of 10·9 per cent. in five years, I do not think it has much to complain of if we say we do not see our way to allow of any further increase. His Honour the Lieutenant-Governor has made a claim that his province contributes more to the central government than any other province. The question of what each province contributes is a very difficult one, and to tell the truth I do not think it can be solved. It is rather singular that precisely the same claim has been made on this occasion on the part of the Government of Madras. I know the Government of Madras believes that is a sort of milch cow for the supply of the other local governments of India. I do not wish to pronounce any opinion as to whether any government contributes more than or less than its fair share. It is absolutely and entirely a question of opinion, because although you can take much of the revenue and say it belongs to a particular province, you cannot say with respect to very large sections of the expenditure how much, in any distribution between the provinces, ought to fall upon each. The Honourable Mr. James has been somewhat severely attacked in respect of his observations on this point, and I desire to come to his rescue in explaining some matters relating to the Government of Bengal. Although I do not altogether agree with what he said, still I may say that, in respect to the question of the amount which the Government of Bengal contributes to the common fund, there is something to be said for the view that in one respect at least Bengal does not pay the same amount of revenue and is not assessed on the same scale as the other provinces; that is of course in respect to its land revenue. Now I do not want to say anything about the Permanent Settlement; I accept it as a fact and there is an end of it, But there is one thing to be remembered and it is this. Supposing the various provinces of India had each remained from the beginning on a separate financial basis; that their funds had not been joined altogether, as the Scotch lawyers say, in hotch-pot; that they had always been conducted on entirely separate financial systems, such as exist at the present day in the Australian Continent which has five separate colonies, each of which is financially separate from the other. Supposing Bengal and the other provinces had been independent up to the present day, I think it is quite evident that Bengal would have had to put up with a smaller scale of expenditure than other provinces for the simple reason that it would not have the means of providing what the other provinces can pay for; its revenue being in one respect assessed on a smaller scale than the other provinces. I do not for a moment say that we ought not to place it in respect of expenditure on a level with other provinces, because my theory is, as I have already explained, that the revenues of India are the revenues of one single body and the expenditure must also be recognised as the expenditure of one Empire. But I think that it is quite fair to remind Bengal that in being placed on the same level with other provinces in respect of its demands for expenditure it is receiving at the very least an adequate measure of justice from us.

APPENDIX No. 85.

QUESTION of the INCLUSION in the COST to INDIA of ORDNANCE STORES of INTEREST on the CAPITAL invested in the ORDNANCE FACTORIES.

To the Secretary of the Royal Commission on Indian Expenditure.

SIR, India Office, 27th January 1897.

WHEN Sir Ralph Knox was under examination by the Royal Commission on Indian Expenditure on the 22nd July 1896, it was mentioned by him (Q. 13,026–7), that an agreement had been made between the Treasury and the War Office, to refer to the Royal Commission the question whether interest on invested capital should be charged in the Manufacturing Accounts, and thereby added to the cost of the stores supplied to the Government of India and other customers; and, in a letter dated the 23rd of November last, from the War Office, of which a copy, with its enclosures, is herewith transmitted, the correspondence was forwarded to this office, in order that it might be laid before the Commission.

So far as India is concerned, Lord George Hamilton does not desire to raise any objection to the consideration of the subject by the Commission; but I am desired to request that the following observations may also be borne in mind.

It has been agreed that, in paying for ordnance stores, India should be charged with the cost price; and the arbitration of Viscount Cranbrook in 1891 decided that cost price properly includes interest on capital, and also depreciation of buildings, machinery, and plant, but excludes profit. It should, however, be remembered that, when in 1859 the term "cost price" was accepted as the basis of the charge to India, interest was not included; and, therefore, that its inclusion under Lord Cranbrook's arbitration is a distinct addition to the charges for which the Government of India were previously liable.

The previous arrangement was the result of mutual concessions under which India withdrew from the position of a competitor in the open market, thereby affording to the War Office an advantage of which it was intended that the Indian Government should obtain a share through the arrangement with regard to cost price; and the decision of 1888 to place that Government on the same footing as the Army and Navy, &c., which specifically excluded interest on capital, was only a reasonable method of treating the question in the altered circumstances.

If it were now to be decided that interest on invested capital should be included, it would be necessary strictly to criticise the manner of aiming at the amount of capital supposed to be invested in the ordnance factories; to ascertain to what extent capital should be written off, and a new valuation effected; to see whether machinery is rightly charged to production (as in the case of the magazine rifle machinery involving upwards of 100,000*l.*), while it remains the property of the War Office, and may be altered at the cost of some new manufacture; and to consider whether in other respects the factory accounts are

prepared on a mercantile basis. In particular, it would be requisite that the incidental charges should be spread equally over the whole cost of the establishment, and that prices should not be made to depend on the extent of the employment of a factory during a particular period.

In illustration of this last point, I am desired to mention that the War Office charged 6*l*. 11*s*. 10*d*. for a naval gun fitting made at Woolwich in 1893–4, for which the Admiralty paid, on an average, to contractors in 1894–5 only 3*l*. 18*s*. 4*d*.; and the explanation given was that work in the factory concerned was slack, and that therefore the price of the article was high.

I am, &c.
A. GODLEY.

Enclosure.

To the Under Secretary of State, India Office.

7512/840. War Office, Pall Mall, S.W.
SIR, 23rd November 1896.

I AM directed by the Secretary of State for War to acquaint you that correspondence has for some time been proceeding between this Department and the Treasury on a proposal, made by that Department, to include in the prices of stores made for India in the ordnance factories charges for interest on invested capital.

Copies of the correspondence, so far as it is concerned with the question between the Home and Indian Governments, are enclosed; the parts omitted refer merely to questions of modes and forms of account.

It will be seen that the Lords Commissioners of Her Majesty's Treasury are prepared to refer the question to Lord Welby's Commission on Indian Finance; and I am to request that, if the Secretary of State for India in Council sees no objection, the correspondence may be referred accordingly.

I am, &c.
(Signed) ARTHUR HALIBURTON.

Enclosure in letter of 23rd November, 1896, No. 7512/840.

CORRESPONDENCE on the QUESTION of including CHARGES for INTEREST on CAPITAL in the PRICES at which STORES are supplied to INDIA from the ORDNANCE FACTORIES.

1. *Extract from War Office letter to the India Office, dated 13th July, 1888, No. 57/Gen. No./19.*

Consequent upon the re-organisation of this Department, which has involved a change in the administration of the ordnance factories, it has been decided to place the Government of India on the same footing as the Army, the Navy and the Colonies, *i.e.*, to charge to all alike the actual cost price of manufacture, including a percentage for inspection, but to omit the charges hitherto made for interest on capital, and (under the head of Indirect Expenditure) for superannuation allowances.

2. *Extract from India Office letter to the War Office, in reply to the above, dated 5th December 1888, No. F. 2990.*

Viscount Cross learns with much satisfaction that the principle is thus conceded for which this Office has contended for upwards of 20 years, since the foregoing differs little from the recommendation of the Departmental Committee of 1859, which was accepted by War Office letter dated the 29th of February 1860, namely, that the charge for each article "should be the "cost price with all actual expenses up to delivery "into custody of the War Office Storekeeper; any "after expenses, with the exception of packing for "shipment, to be considered as covered by the usual "addition of 5*l*. (meaning 4*l*. 14*s*. 9*d*.) per cent."

3. *Award of Viscount Cranbrook as arbitrator in the contention between the India Office and the War Office in regard to the prices charged to India for warlike stores made in the Ordnance factories.*

To the First Lord of the Treasury.

The question referred to me as arbitrator between the War Office and the India Office is, whether the arrangement recommended by the Committee in December 1859, and adopted by the two Departments, has been acted upon in the charges made by the War Office to the India Office up to 1888 for stores supplied. It was to the following effect—

"The charge for each article to be the cost price, with all actual expenses up to delivery into the custody of the War Office Storekeeper. Any other expenses, with the exception of packing for shipment, to be considered as covered by the usual addition of 5 per cent."

I do not understand that any controversy exists upon the latter clause under which an abatement was made in accordance with old practice and an actual addition of 4*s*. 14*s*. 9*d*. per cent. made. I take note of a letter written by Mr. Godley from the India Office, dated the 20th March 1891, in which he states that the object of the reference to me "is not a claim to have "retrospective effect given to an alteration made "recently, but to obtain a decision whether the "agreement of 1859 has been fulfilled."

After careful consideration of the documents laid before me by the two Departments, I have come to the conclusion—

That No. 2 balance sheet, under which the India Office was charged, fairly represented the cost price of the articles supplied in accordance with the terms agreed upon between the War Office and the India Office.

"Cost price," properly includes interest on capital and depreciation of buildings, machinery and plant, but, of course, excludes profit, and I find no allegation that any was made. It is claimed that the vocabulary should have been more frequently revised; but I have no materials on which to found an opinion on the fitting times for such revisions, nor on the effect that they might have had, whether a fall or rise of price.

I make no order for a refund of any part of the payments made by the India Office.

(Signed) CRANBROOK.
March 30th, 1891.

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4. *Extract from the Treasury Minute on the Second Report of the Public Accounts Committee, 1892, and correspondence thereon.*

SECTION 37. SUPPLIES to COLONIES, CONTRACTORS, and others, through the WAR OFFICE, instead of directly.

The Secretary of State will observe that the Committee, though not condemning this exceptional method of supply, concur with this department in holding that it should be confined to small orders, and that its operation requires careful watching.

My Lords would take this opportunity of inquiring whether consideration has been given to the suggestion made in the Treasury Minute of 5th January, 1892, on the third report of the Public Accounts Committee, 1891, and in the Treasury letters of 15th March and 13th July, 1892, that a charge should be made to the customers of the ordnance factories for interest on capital, as well as for departmental management.

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5. To the Secretary to the Treasury.

7512/751. War Office, London, S.W.,
SIR, 1st February, 1893.

WITH reference to the inquiry contained in paragraph 37 of the Treasury Minute of 5th November, 1892, on the second report of the Public Accounts Committee, 1892, whether consideration has been given to the suggestion that a charge should be made to the customers of the ordnance factories for interest on capital, I am directed by the Secretary of State for War to acquaint you, for the information of their Lordships, that he has carefully considered this subject in all its bearings.

It is to be observed that, under the present system of payment by advances, the customers of the factories fall into three classes as regards the supply of *working capital*, viz.—

1. Imperial services, supplying their own working capital (Army and Navy).
2. Services not Imperial, supplying working capital (India, and Colonies in the case of large orders).
3. Services for which the Army supplies working capital (Colonies in the case of small orders and contractors).

As regards *fixed capital*, all the customers of the factories stand on the same footing. The ordnance factories, however, have no expenditure for interest on capital, corresponding to the charges incurred by a commercial concern, and hence any charges for interest made through the balance sheet would appear in the appropriation account of the factories vote as a sum to be surrendered. If, therefore, interest on fixed capital were charged to all alike, the result would be that considerable sums would have to be voted by Parliament on the Army and Navy estimates to be surrendered on the ordnance factories' account.

On the other hand, to except Imperial services and to charge non-Imperial services through the factory accounts would necessitate the introduction of different prices for similar stores in the production voucher, whereas the constant aim of the Secretary of State since the re-organization of the factories has been to show only one price for one article.

At the same time, Mr. Campbell-Bannerman is fully alive to the importance of showing the effect which a charge for interest would have upon prices, and so rendering the comparison of factory and outside prices more easy. He thinks, however, that considering all the circumstances alluded to above, that object will be best attained by adding a note to the accounts of the factories to the effect that a charge of interest at per cent. on fixed and working capital would increase the prices shown for stores by per cent.

If their Lordships approve of this proposal, it will be adopted in the accounts of the current and future years.

I am, &c.,
(Signed) R. H. KNOX.

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6. To the Financial Secretary, War Office.

1867/93. Treasury Chambers,
SIR, 11th May 1893.

THE Lords Commissioners of Her Majesty's Treasury have had before them Mr. Knox's letter of the 1st February last (7512/751), in which it is explained that Mr. Secretary Campbell-Bannerman is opposed to including interest on either fixed or working capital in the prices charged to customers of the ordnance factories, but is prepared to add a note to the accounts of the factories showing by what percentage prices would be increased if such interest were included.

My Lords agree that if customers advance the working capital required for the wages, and materials necessary for meeting their own orders, they cannot be charged interest on that capital, and it will be enough to make a note of it on the accounts as proposed by the Secretary of State. But their Lordships are not satisfied that interest ought not to be charged on fixed or invested capital, *i.e.*, on the assumed value of land, buildings, plant, and stock of stores, with which the factories started business, on their new footing, on 1st April 1888.

The objections of the Secretary of State to the latter charge are:—

(1.) That the charge would not represent any actual expenditure by the factories, and its produce would therefore have to be surrendered to the Exchequer.
(2.) That the charge to Army and Navy, who are beyond all comparison the largest customers of the factories, would necessitate large additions to Army and Navy Votes.
(3.) That if the charge were confined to non-Imperial customers, it would be necessary to return to a double price list, one of the chief evils which the re-arrangement of 1888 was meant to obviate.

My Lords would, however, ask the Secretary of State to consider whether all these objections might not be met by the following scheme:—

Let the fixed capital of the factories be valued at, say, 1,971,472*l.*, as estimated on 1st April 1888, and corrected to 31st March 1892, and let interest at 2¼ per cent. per annum, or 54,215*l.* 9*s.* 7*d.*, be charged thereon, and be paid by the factories to the two departments on whose behalf that capital was originally provided by Parliament, in proportions fairly representing the average share of each in the business of the factories; *i.e.*, let, say, two-thirds of the annuity, or 36,143*l.* 13*s.* 1*d.* be paid to the War Department, and one-third, or 18,071*l.* 16*s.* 6*d.* to the Admiralty.

Let each Department treat its portion of the annuity as an appropriation in aid of its Warlike Armaments Vote.

Let the annuity be distributed like other fixed charges on the factories over the cost of production, and be recovered from all customers alike, by means of a single price list.

Under this arrangement the factories would only recover what they actually had to pay, and therefore need not surrender what they recover. No addition would have to be made to Army and Navy Votes. The gross Army and Navy Estimates would be increased by their portion of the charge for interest, but the net Army and Navy Estimates would be rather more than equivalently reduced by their shares of the annuity. Lastly, the single price list, by which the Secretary of State sets so much store, would be preserved.

The percentage addition to present prices would vary from year to year, but might perhaps be estimated at from 2 to 2½ per cent., and the effect would be to make them compare more fairly with those of the trade.

I am, &c.
(Signed) R. E. WELBY.

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7. *Extract from War Office Letter to the Treasury of 12th February* 1894, *No.* 7512/769.

THE Secretary of State is pledged to supply India with stores made in the ordnance factories at the same price as those at which they are issued to the Army and Navy, which would only nominally be the case under the plan proposed.

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8. To the Financial Secretary, War Office.

2356/94. Treasury Chambers,
SIR, 7th June 1894.

THE Lords Commissioners of Her Majesty's Treasury have had before them Mr. Knox's letter of the 12th February last, 7512/769, as to the addition of interest on invested capital to the prices of the productions of the ordnance factories, and direct me to submit the following remarks thereon for the consideration of Mr. Secretary Campbell-Bannerman.

The object which my Lords have in view is to insure, 1st, that the true cost of productions be shown in the Factories Accounts; 2nd, that the true cost be recovered from customers.

It is not disputed that interest on invested capital is, as Lord Cranbrook decided, an element of true cost price; and the Secretary of State agreed to show how it affected cost by a note to the Factories Accounts; but he declined to take the further step of charging it to the customers of the factories, because the factories did not really pay interest, and they would be recovering a charge they did not incur, and which ought, therefore, to be surrendered to the Exchequer.

It was to meet this objection that my Lords suggested the charge of rent to the factories, which should be the equivalent of interest on invested capital, and be appropriated in aid of Army and Navy Votes in certain proportions. The factories would then only recover what they actually paid, and at the same time that recovery would involve no net increase of charge on Army or Navy Votes.

The Secretary of State urged some objections to this device in Mr. Knox's letter of 21st July last, to which my Lords replied on the 2nd August last; and he repeats them in somewhat more detail in the letter under reply.

In my Lords' opinion there is only one serious objection that can be brought against it, viz.:—that it is an unnecessarily roundabout method of enabling the factories to charge true cost price to outside customers. They suggested it as a means of preserving the single price list by which so much store has been set since 1888.

In Mr. Knox's letter of 1st February 1893 the Secretary of State said "To accept Imperial services, "and to charge non-Imperial services through the "factory accounts would necessitate the introduction "of different prices for similar stores in the Production "Voucher, whereas, the constant aim of the Secretary "of State since the re-organisation of the factories "has been to show only one price for one article."

Again, in the letter under reply, the Secretary of State says that he "is pledged to supply India with "stores made in the ordnance factories at the same "prices as those at which they are issued to the Army "and Navy."

My Lords would ask whether the pledge in question was given in writing, and what were its terms, and whether the concurrence of the Treasury was obtained in it.

It seems to them, however, that there would be no difficulty in maintaining a single price list; and yet charging India and the Colonies with a fair share of interest on invested capital. The interest need not be added to the price of each article, but might be a percentage added at the foot of the account, in a single sum.

My Lords will not further press their idea of charging the factories with rent, and will be content with the proposed footnotes to the accounts, if the Secretary of State will recover from India and other non-Imperial customers, in the manner above suggested, interest on invested capital, which, though not paid by the factories themselves, has been forfeited by the British public, which established them.

I am, &c.
(Signed) FRANCIS MOWATT.

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9. To the Secretary to the Treasury.

7512/805.

War Office, London, S.W.,
5th August, 1896.

SIR,

WITH reference to Treasury letter 2356 of the 7th June 1894, I am directed by the Secretary of State for War to state that, as no final decision has yet been arrived at on the question of including charges for interest upon the invested capital of the ordnance factories in the prices charged to India for stores made in the factories, it appears to him that it would be well to take advantage of the opportunity of getting the question authoritatively decided, by referring it to Lord Welby's Commission on Indian Finance.

The pledge to supply India with stores made in the factories, at the same prices as those at which they are charged to the Army and Navy, referred to in War Office letter 7512/769 of the 12th February 1894, was conveyed in a letter from the War Office to the India Office, dated 13th July 1888, from which the following is an extract:—

"It has been decided to place India on the same footing as the Army, Navy and Colonies, viz.:—to charge to all alike the actual cost price of manufacture, including a percentage for inspection, but to omit the charge hitherto made for interest on capital." (57/Gen. No./19.)

No specific reference to the Treasury on this point appears to have been made, as the matter was dealt with incidentally as a part of the general re-organisation of the ordnance factories carried out in 1888; but the pledge was deliberately given after full consideration, and has been acted upon for eight years. It will, therefore, be apparent to their lordships that any proposal to depart from it, unless made in connection with a general re-settlement of the financial relations between the Home and Indian Governments, might be open to grave objection.

The Secretary of State proposes accordingly, with the concurrence of their lordships, to lay the correspondence on this subject, together with Lord Cranbrook's award of 1891, before the Royal Commission on Indian Finance.

I am, &c.
(Signed) H. T. DE LA BERE.

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10. To the Financial Secretary, War Office.

12057/96.

Treasury Chambers,
21st August, 1896.

SIR,

IN reply to your letter of the 5th instant, (7512/805), I am directed by the Lords Commissioners of Her Majesty's Treasury to say, for the information of the Marquess of Lansdowne, that they concur in his proposal to refer to the Royal Commission on Indian Finance now sitting the question of including interest upon the invested capital of the ordnance factories in the prices charged to India for stores made in the factories.

My Lords do not understand Lord Lansdowne to contend that the Treasury should not have been consulted before the letter from the War Office to the India Office of the 13th July 1888 was written, or that any consideration has been paid by India or the Colonies, which would make it inequitable to charge them in future with interest on invested capital, in accordance with the decision of Lord Cranbrook that such interest is an element of true cost price.

I am, &c.
(Signed) FRANCIS MOWATT.

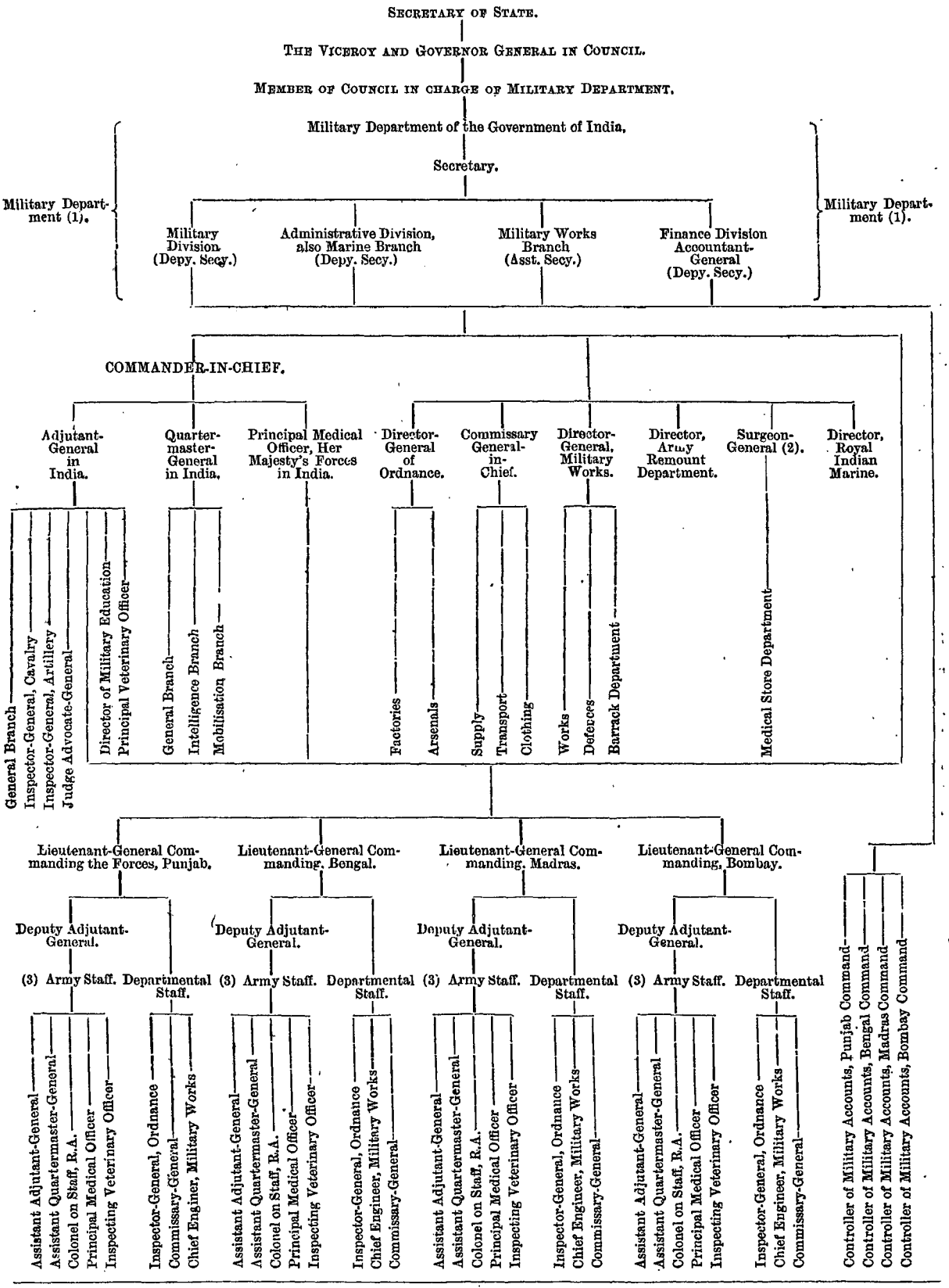
APPENDIX No. 86.

MEMORANDUM on the MILITARY ACCOUNTS DEPARTMENT and SYSTEM OF MILITARY FINANCE IN INDIA.

(Handed in by Sir E. Collen, K.C.S.I.)

1. Before describing the constitution and functions of the Military Accounts Department of India, it may be desirable to explain briefly the system of Military Administration. This will be best shown in the accompanying diagram:—

DIAGRAM TO ILLUSTRATE THE MILITARY ADMINISTRATION OF INDIA.



(1.) The Secretary in the Military Department has the rank of Major-General; the three Deputy Secretaries are Colonels; there are besides the staff shown above, three Assistant Secretaries, one Deputy Accountant-General, and one Assistant Accountant-General, or with the Member of Council 11 officers in all.

In each Command there is a Controller of Military Accounts, who is the Financial Adviser of the Lieutenant-General Commanding the Forces, but directly subordinate to the Government of India, and these officers are shown separately.

(2.) The Surgeon-General with the Government of India is directly under the Home Department, but advises the Military Department on questions connected with the Indian Medical Service. This title is about to be changed to that of Director-General, Indian Medical Service. The officers of the Indian Medical Service employed on *military* duty are under the Principal Medical Officer, Her Majesty's Forces.

(3.) The various staff officers assisting the principal staff officers have not been entered. Signalling, Gymnasia, and Educational Staff have also been omitted.

2. The Member of Council in charge of the Military Department is directly responsible for the business of the Army Departments, such as Commissariat-Transport, Ordnance, Military Works, Army Remounts, and for military finance. The Command of the Army and the Staff and departments appertaining thereto, fall within the exclusive province of the Commander-in-Chief, but all proposals by the latter involving expenditure (with certain restrictions), changes of organisation in the Army, or other important questions, come up to the Military Department, and where they are of sufficient importance, these questions are presented by the Member of Council in charge to the Governor-General, and if necessary, are laid before the Governor-General in Council.

3. The Secretary to the Government of India in the Military Department is their ministerial agent, and is responsible for the whole of the military business which comes to the Military Department. The head of the Finance Division in the Military Department is the officer who holds the dual appointment of Accountant-General, as head of the Military Accounts Department and Deputy Secretary for Finance. He cannot be overruled by the Secretary or Member of Council without the concurrence of the Finance Department. The Finance Division of the Military Department thus comprises two branches: (1) the Accounts Branch of which the Accountant-General, as chief of the Military Accounts Department, is the head; (2) the branch presided over by the Accountant-General in his capacity as *ex-officio* Deputy Secretary to the Government of India.

CONSTITUTION OF MILITARY ACCOUNTS DEPARTMENT.

4. I.—The history of the department is given in the Note of 1885 attached to this paper (Appendix C). The constitution of the Military Accounts Department is as follows:—

Accountant-General, Deputy Accountant-General, Assistant Accountant-General	With the Military Department of the Government of India.	
Controllers of Military Accounts		4
Military Accountant, 1st class		3
Do. do. 2nd class		5
Do. do. 3rd class		4
Do. do. 4th class		4
Assistant Military Accountants, 1st class		5
Do. do. 2nd class		4
Do. do. 3rd class		4
Total		33

II.—Subordinate Accounts Service.
III.—The Clerical Service.

The Military Accounts Department is divided into four parts corresponding to the four great commands:—

Punjab Command,
Bengal Command,
Madras Command,
Bombay Command,

and the establishment of the Controller's office in each command is as follows:—

—	Punjab.	Bengal.	Madras.	Bombay.
Central Branch.				
Controllers of Military Accounts	1	1	1	1
Assistant to Controller of Military Accounts.	—	1	—	—
Deputy Examiners	1	1	1	1
Assistant Examiners	2	2	2	1
Accountants	5	9	5	4
Clerks	10	15	10	8
Accounts Branch.				
Military Accountants (Examiners)	—	1	—	—
Deputy Examiners	1	1	1	1
Assistant Examiners	1	1	1	1
Accountants	4	5	4	5
Clerks	21	25	21	23
Pay Branch.				
Military Accountants (Examiners)	1	2	1	1
Deputy Examiners	2	1	2	2
Assistant Examiners	2	3	3	2
Accountants	8	11	8	8
Clerks	58	85	83	51
Commissariat Branch.				
Military Accountants (Examiners)	1	1	1	1
Deputy Examiners	1	1	1	1
Assistant Examiners	1	2	1	2
Accountants	8	8	5	6
Clerks	63	77	55	53
Ordnance and Clothing Branch.				
Military Accountants (Examiners)	—	1	1	1
Deputy Examiners	—	1	1	1
Assistant Examiners	—	2	—	1
Accountants	—	4	4	3
Clerks	—	74	43	28
Commissariat Branch, Rangoon.				
Military Accountant (Examiner)	—	—	1	—
Assistant Examiner	—	—	1	—
Accountants	—	—	2	—
Clerks	—	—	49	—
Pay Offices, Rangoon and Bombay.				
Military Accountant	—	—	—	1
Deputy Examiner	—	—	—	1
Assistant Examiner	—	—	—	1
Accountants	—	—	2	4
Clerks	—	—	9	20
Inspectors of Accounts (one for each command), Special Duties, and Probationers.				
Military Accountants	2	2	2	2

5. In the Military Accounts Department are included all appointments concerned with the audit and compilation of military expenditure and the payment of the Army, its establishments and departments, other than the appointments of regimental paymasters. Officers are appointed for five years (for the first year of which they are on probation), and are seconded in their regiments for that period, at the expiration of which they are transferred permanently to the department, or revert to regimental employment at their own request, or on the recommendation of the head of the department. Applicants for the department have to show a general character for energy and ability, and special knowledge of and aptitude for accounts, application, steadiness of character, tact, judgment, and discretion. They are nominated by His Excellency the Viceroy and subjected to an examination in arithmetic and algebra, essay writing, bookkeeping, general knowledge of Army Regulations, and Instructions for the payment of British and Native troops. Those candidates who pass are attached to the different branches of a controller's office, and at the end of the year are again examined. The scope of this final examination extends to commissariat, audit of pay lists of regiments and batteries, the principles and orders laid down in the Military Account Code, and the candidate has to answer a large number of questions on the detailed work in all the branches of the controller's office.

6. II. *The Subordinate Accounts Service.*—The Subordinate Accounts Service, employed on the audit, compilation, classification, and consolidation of the Military Accounts, is divided into Deputy and Assistant Examiners and Accountants, and all appointments and promotions to the grades above those of Assistant Examiner are made by the Government of India on the recommendation of the Accountant-General. The Assistant Examiners may be appointed from the following classes:—non-commissioned officers in the army or persons in civil life who have served not less than 12 months on probation in the Military Accounts

Department and have passed the qualifying test, or Accountants of the Department who have passed the qualifying test. Candidates are required to pass in book-keeping, précis writing, letter drafting and general knowledge of the work of the department. Appointments to the grade of Accountants are made from outsiders and from members of the Clerical Service who have passed a qualifying examination.

7. III. *The Clerical Service.*—The Clerical Service is concerned with the mechanical and clerical portion of the work of the Department, and appointments to it are governed by the rules relating to the Clerical Service of the Government of India.

Organisation of the Offices under Controllers of Military Accounts.

8. The organisation of the office of the Controller of Military Accounts in each command is as follows, and although there may be slight differences in the number of the officers and subordinates, the system is the same throughout. As an example, the office of the Controller of Military Accounts, Bengal Command, may be taken.

9. *The Central Branch* is the central bureau of the Controller, and the office to and from which all subjects pass which cannot be dealt with by the subordinate officers, excepting purely account matters, which are dealt with in the Accounts Branch.

10. *The Accounts Branch* deals generally with all matters relating to accounts, including the inter-departmental exchange accounts and the London Account current.

This branch is also responsible for the preparation of the monthly statements of receipts and charges and other account returns, and for the rolls of family and other remittances to England. The military ledger and journal are also kept here.

11. *The Pay Branch* is the office presided over by the Pay Examiner or Principal Auditor. The Pay Examiner or Auditor deals with a large portion of Grant 1, Grant 2, the whole of Grant 3 (regimental pay and allowances), a considerable portion of Grant 4, the *personnel* of Commissariat establishments, and compensation for dearness of provisions and forage; the whole of the *personnel* of Grant 5 with certain exceptions; the *personnel* of Grants 6 and 7; a large portion of Grant 8; the *personnel* portions of Grants 9 and 10; the whole of Grant 11; most of Grant 12; the whole of the *personnel* of Grant 13, and the whole of Grants 14 to 20.

The Pay Examiners in Bengal, Punjab and Madras are also disbursing officers—*vide* paragraph 19.

12. *The Commissariat Branch* is presided over by the Examiner of Commissariat Accounts, who is the Chief Auditor. He deals also with the Remount Accounts, with travelling and other allowances under various grants; with the greatest portion of the accounts and *matériel* under Grant 4, *Commissariat;* with a large portion of Grant 5, *Remount and Veterinary;* with the whole of the *matériel* portion of Grant 7, *Barrack Establishments;* with portions of Grant 8, *Administrations of Martial Law;* and with a large portion of Grant 9, *Medical.*

13. *Ordnance and Clothing Branch.*—The next branch in the Controller's Office is the *Ordnance and Clothing Branch,* presided over by the Examiner of Ordnance and Clothing Accounts. The Examiner or Auditor for Ordnance and Clothing deals with the whole of the *matériel* portion of Grant 10, *Ordnance,* and with the whole of the *matériel* portion of Grant 6, *Clothing.*

14. *Special Branches.*—There is a Special Commissariat Branch established at Rangoon for the audit of the Burma accounts. There are also Special Pay Offices at Rangoon and Bombay; that at Rangoon for Burma, and at Bombay as it is the principal port of embarkation and disembarkation.

15. In addition, certain Military Accountants are detailed for inspection and special duties. The payments of pensioners in the Punjab and Bengal Commands are effected by the Post Office, and Civil Treasury Officers respectively, but there are special officers for this purpose in the Madras Command. In the Bombay Command, pensioners are paid by Civil Treasury Officers in the Presidency and Poona circles, and by a Military Paymaster in the Southern Konkan circle.

(The Government of India are now considering, as a measure of economy, the abolition of the Paymaster, Southern Konkan, and the introduction of the payment of pensioners by the Post Office.)

System of Account and Audit, and Duties of the Officers.

16. The principles upon which the control, audit, and account of the financial transactions of the Military Department of the Government of India are conducted are, *first,* a strict preliminary scrutiny and review of the demands entered in the estimates of the several subordinate departments; *second,* a careful examination into all demands for money or stores prior to supply; *third,* a stringent control over the due application of money and stores to the service for which they may be sanctioned; *fourth,* a prompt check and audit of the accounts of such expenditure when rendered, and, *finally,* an appropriation audit explanation.

17. The Military Accounts Department is charged with the collection of the accounts of all military expenditure and the detailed check and audit of the same.

The Government of India look to the Military Accounts Department as well as to the heads of executive and administrative departments to investigate closely and frequently all expenditure incurred in the several departments of the army and to suggest economies where practicable. It is the duty of Controllers of Military Accounts and Military Accounts Officers, generally, to constantly scrutinise all sources of expenditure, and to be on the watch, not only to check expenditure, but, in communication with heads of departments concerned, to suggest economies. Where advisable, the Controllers will address the Government of India through the Accountant-General in regard to such matters.

18. The operations of examining, reviewing, and scutinising demands, and enforcing the observance of limits of aggregate and detailed expenditure under its major and minor classifications, are confided—

I. To disbursing and Issuing Officers.
II. To Examiners of Accounts.
III. To Controllers of Military Accounts, who are the dispensers of the funds allotted for prospective expenditure.
IV. And lastly, to the Finance Division of the Military Department of the Government of India, in which the proceedings of the above-noted officers are reviewed, as periodically submitted.

19. *Disbursing and Issuing Officers* are the Pay Examiners in Bengal, Punjab and Madras Commands, the Presidency Paymaster, Bombay, the Paymaster, Rangoon, Acting Paymasters of British Regiments, the Paymaster, Deolali Depôt (for troops embarking and disembarking at Bombay), Officers Commanding batteries of artillery and native regiments, Commissariat officers, officers in charge of Remount Depôts, Superintendents of Army Clothing in Bengal and Madras and Pension Paymasters. (Payments on account of the Ordnance Department are made by Commissariat Officers.) Military Treasure Chests are also maintained at Mhow, Nimach, Deesa and Asirgarh, at which stations there are no Civil Treasuries.

20. While the Comptroller and Auditor-General is responsible for compiling the general figures of all accounts rendered to him, and keeping the Government of India in the Department of Finance informed regarding the receipts and expenditure on military account, it is the duty of the Military Account Officers to maintain the more detailed accounts and statements necessary for the information of the Government of India and the effective financial control over military expenditure.

21. The Controllers of Military Accounts are placed in immediate subordination in all matters of account to the Comptroller and Auditor-General, and have the same relations with that officer that the Civil Accountants-General have in this respect. They render their accounts to him and keep their books in such form as he directs, and must be prepared to give any explanations which he may require. It is the duty of the Comptroller and Auditor-General to see that the Accounts are punctually and properly prepared by the Controllers and rendered to him; and specially that they work up to, and agree with, the accounts received by him in other departments. The Comptroller and Auditor-General has the general direction of the accounting work in respect of deposits, advances,

accounts with other departments, and debt heads generally, and takes measures to satisfy himself that the work of audit and account is efficiently maintained and kept up to date. The Comptroller and Auditor-General has full power in person or by his deputies to inspect the offices and accounts of the Controllers and their subordinate officers, and to make test audits. In other matters, the Controllers of Military Accounts are directly subordinate to the Government of India in the Military Department, rendering to that department, through its Accountant-General, such accounts and returns as it may desire, and referring direct to it for orders all matters which are not pure questions of account, or which affect officers or departments not under their orders.

22. The Controllers of Military Accounts are placed in direct relations with the Lieutenant-Generals Commanding the Forces in each of the Commands in all matters affecting their duties, and are the financial advisers of those officers, although as Controllers they are directly subordinate to the Government of India. If the Commander-in-Chief or Lieutenant-Generals Commanding sanction any expenditure which is opposed to existing rules or regulations, on which the Controller may report unfavourably, a report is made to the Government of India by the Commander-in-Chief, or through him if sanctioned by the Lieutenant-Generals Commanding. The Controller also reports the same to the Accountant-General, Military Department.

23. The Controllers have charge of the annual departmental estimates of cash requirements, and grant letters of credit on Civil Treasuries for such cash as may be required for the military services, and are responsible for keeping the Civil Account Officers promptly informed of the cash required by military disbursing officers. The actual funds are placed at the disposal of military disbursing officers by the local civil Accountants-General. The check by Controllers and Military Account Officers, generally, is applied to stores and materials as well as cash transactions, and they are responsible for reporting every instance in which reduction of expenditure, whether in money or stores, by any means or economy may be practicable. Careful scrutiny of the financial results of departmental administration is essential, but a strict observance must be maintained of the broad distinction between financial and administrative control.

24. Controllers have to sift all references made to them by the officers of account and audit, and they only submit to higher authority what they cannot dispose of, dealing with all other references according to the recorded opinions or orders of Government or the rules and instructions prescribed for them. Controllers arrange for the periodical inspection locally of such regiments and departments in their respective commands as they may select.

25. The *Examiners of Accounts* are the Sub-Accountants of the Controllers in reference to all the details of the accounts of the departments which it is their duty to examine, from whatever source such detail may be derived. All the duties connected with the check in detail and compilations of expenditure in military departments are performed by the Examiners.

26. The estimates and the regulations are the basis of the Examiners' audit, and it is their duty to disallow any charge not provided for in the estimates or sanctioned by the general regulations applicable in each case, so that no expenditure may be allowed in excess of that allotted to the several services specified in the estimates or not allowed by regulation. The object in view is to combine the stringency of an immediate check with a prompt rendering and satisfactory settlement of all claims and accounts, it being fully recognised that all delays in preferring claims or in examining and disposing of them are injurious.

27. Examiners are required to enforce with strictness the exact and regular transmission of all accounts and statements due by disbursing officers, carefully and promptly scrutinising and compiling all such accounts when rendered. Examiners regulate their audit strictly by the established rules, having no discretionary power to relax them.

28. Examiners of Accounts, whether of money, stores, or scales of diet, must consider it an important duty to check effectually, within their proper sphere as defined, all outstanding balances, either of money or stores, as well as all excesses in stock, reserves, or allotments. All new contracts in departments must be scrutinised by the Examiners concerned, and the tendered prices subjected to the prescribed tests, besides being compared with the rates actually paid, previously or contemporaneously, for like supplies. A report on all these points, showing the length of time for which the contract is to run, must be submitted to the Controller on the acceptance of every fresh contract.

29. In cases of doubt the Examiner refers to the Controller of Military Accounts, but will in all other cases act as an independent Examiner, exercising distinct duties and responsibilities. Appeals or references on any questions involving the passing of a charge are made to the Controller, and through him to the Government of India, if deemed necessary, in order that the independence of the Examiner may be secured. If an appeal is lodged against the action of an Examiner, and the Controller decides in favour of the appellant without the Examiner being convinced, the question is referred for the decision of the Government of India in the Military Department.

30. Examiners may call for an explanation of any unusual charge or of anything questionable that appears on the face of accounts or returns, but where the enquiry affects the acts of staff officers or heads of departments, the enquiry should proceed through the Controller. An Examiner, before admitting in audit any charge which requires the sanction of the Secretary of State, must satisfy himself that the sanction has been accorded either by general or special order of the Secretary of State. The rules on this head are given in the Military Account Code and also in Appendix A, Finance and Accounts, special India Army Circular, dated 26th October 1894, published* with Government General Order No. 981 of the 26th October 1894, announcing the changes in the administration and organisation of the Army in India carried out from the 1st April 1895. They are quoted in para. 81.

31. Disbursing officers submit their cash and store accounts to the Examiners of Accounts. In the event of services suddenly arising for which disbursing officers have no funds available from the letters of credit granted to them on their monthly estimates, the Civil Treasuries disburse the requisite funds under the orders of the officer commanding the station, who has first to satisfy himself of the propriety of the advance applied for. Disbursing officers are required to carefully examine all demands and claims and all items of expenditure before paying money or issuing stores. They are required to check ill-considered demands by pointing out the error and throwing the responsibility on the officer who may persist in the supply, especially reporting such cases to the Examiner.

32. *Civil Exchange and Central Adjusting Accounts.*—The transactions of the Military Department with Civil Departments are communicated to or by other departments in Exchange Accounts; the transactions with Public Works, Postal, Telegraph, and Marine Departments are adjusted through the Central Adjusting Account.

The Military Department formerly exchanged separate accounts with these latter departments, but as the transactions were not numerous, they were with effect from 1882–83 amalgamated into one account called the Central Adjusting Account, which is passed to the Military Department through the Comptroller and Auditor-General.

These accounts are received in the Accounts Branch of the Controller's office, and are passed on for audit and compilation in the military accounts to the examiners concerned by means of inter-departmental schedules. These schedules are subsequently returned with the examiner's audit remarks to the Accounts Branch. The latter then raises responding debits and credits to the department concerned in the case of all items accepted by the examiners, and communicates all objections raised by examiners to them.

The adjustment of all transactions in these accounts are watched by means of monthly and annual progress registers, and every effort is made to clear them without any unnecessary delay.

Financial Powers of various Authorities.

33. *Controllers of Military Accounts.*—Controllers are empowered to sanction, finally, expenditure not provided for by regulation up to a limit of Rs. 500 in each case, but not exceeding a total of Rs. 1,000 in any one

* Republished as clause 143, India Army Circulars, 1894.

month, provided that no permanent alteration of existing rules is involved, that the amount so sanctioned is non-recurring, that there is nothing irregular in the character of the expenditure so sanctioned, and that the authority is only used for charges which are now recognised as fit subjects for military expenditure; also that the amount can be provided from the budget estimate of the year under the particular head of the grant affected. Schedules of such cases are submitted monthly to the Government of India in the Military Department.

34. *Local Heads of Departments with each of the four Commands, such as Commissary-General, Inspector-General of Ordnance, &c.*—The local heads of departments act in regard to their financial functions and duties under the general regulations, and in regard to their executive duties in subordination to the Lieutenant-General Commanding the Forces in the Command.

35. *Commissaries-General.*—Besides the powers which local commissariat officers have under the regulations for the Commissariat Department, and those possessed by the Chief Commissariat Officer, the Commissary-General of a Command has certain financial powers, such as—

(1.) Supply and renewal of furniture of offices, up to Rs. 500.
(2.) Contingent expenses exceeding Rs. 500 and up to Rs. 1,000.
(3.) Various miscellaneous charges, such as rewards for special services in connection with the recovery of cattle, &c., above Rs. 100 and up to Rs. 500.
(4.) Charges of an exceptional nature which could not be foreseen, above Rs. 500 and up to Rs. 1,000.
(5.) Charges for making up articles for experimental purposes up to Rs. 1,000.
(6.) Extra temporary establishments under certain conditions up to Rs. 1,000 within a period of six months.
(7.) Petty minor works costing less than Rs. 500.
(8.) Provision of temporary shelter, Rs. 500 and up to Rs. 1,000.

He has also powers, detailed in the regulations connected with losses, wastage and contracts.

36. *Inspectors-General of Ordnance.*—The power of an Inspector-General as regards expenditure is limited by the amount sanctioned in his Budget Estimates, but he cannot inaugurate expenditure of a permanent or recurring nature without the sanction of Government which must be obtained through the Director-General of Ordnance accompanied by the report of the local Controller of Military Accounts.

An Inspector-General has power to sanction extra expenditure within Budget limits as follows:—

(*a.*) Purchase of Europe stores in the local market up to Rs. 1,000 in each case under the following circumstances, and up to the following annual limits:—

i. When similar articles indented for from England have not been invoiced and inconvenience would be caused by awaiting their arrival.
ii. When a sudden emergency has arisen.
iii. When stores of equally good quality can be purchased locally more cheaply than they can be imported.

Annual limits for (i) and (ii).

	Rs.
Bengal Command	30,000
Bombay ,,	20,000
Madras ,,	10,000
Punjab ,,	10,000

(*b.*) Supply, renewal and repair of furniture for their own or any Arsenal, Depôt or Factory Office up to Rs. 250 annually.
(*c.*) Making up articles for experimental purposes up to Rs. 500.
(*d.*) Extra, temporary office establishments up to Rs. 1,000. (In Bengal Command Rs. 2,000.) These amounts represent the limit of each command, and not each establishment in a command. This power is restricted to a period not exceeding six months in each case.
(*e.*) Petty and minor works up to Rs. 1,000 in each case.
(*f.*) Payment for overtime (after such overtime work is sanctioned by the Director-General).

An Inspector-General has power to sanction writing off losses as follows:—

(*a.*) Ordinary losses or ordinary wastage where no blame attaches to any one up to Rs. 100.
(*b.*) Extraordinary losses up to Rs. 500.

An Inspector-General exercises the powers of a local Government in the case of pensions granted under Civil Rules to all civilian employés not appointed directly by the Secretary of State or the Government of India.

37. *Ordnance Officers and Superintendents of Factories.*—An Ordnance Officer or Superintendent has power to purchase all *local* stores, not of factory or Government workshop supply, which are deficient and required to comply with demands passed upon him, or which are required to bring up stock to ¼th of the average annual issues, provided funds are available from the "local supplies" grant.

An Ordnance Officer or Superintendent can also expend sums not exceeding Rs. 50 on the supply, renewal or repair of office furniture.

38. *General Officers Commanding Districts.* — The general Officers Commanding districts and Officers Commanding stations have certain powers regarding expenditure which are detailed in the regulations. These powers are specially granted with regard to the entertainment of extra establishments, the issue of extra articles to troops, extra rations for troops and horses, fuel, &c. All orders issued by General Officers Commanding districts involving expenditure not covered by regulations are taken cognisance of by the Controllers of Military Accounts, who exercise a reasonable discretion in dealing with them and only submit exceptional cases to the Lieutenant-Generals Commanding the Forces.

39. *Lieutenant-Generals Commanding the Forces in the four Commands*, viz., *Punjab, Bengal, Madras, and Bombay.*—In order to diminish references on unimportant matters, Lieutenant-Generals Commanding the forces are empowered to finally sanction expenditure not provided for by regulations up to a limit of Rs. 1,000 in each case, and not exceeding a total of Rs. 2,500 in any one month under the conditions mentioned in paragraph 33. But when it is not possible to meet the expenditure under a particular head of the grant, Lieutenant-Generals Commanding may transfer funds from one head to another in the same grant in the budget of their own command, on the condition that the grant affected is not exceeded as a whole. The Lieutenant-General Commanding ascertains from the Controller of the Command and heads of spending departments whether funds are available. If funds are not available, but the amount concerned does not exceed Rs. 50, no reference is necessary, provided that such absolute sanctions shall not exceed Rs. 50 in each case or Rs. 250 in the month.

40. If Lieutenant-Generals Commanding issue orders or instructions resulting in expenditure which in the opinion of the Controller needs the approval or sanction of the Government of India, they are required to report the matter at once to the Government of India in the Military Department through the Commander-in-Chief in India, accompanied by the Controller's report.

41. The Lieutenant-General Commanding the Forces is supplied each month by the Controller with a statement showing under all heads of account the total amount for the year included in the sanctioned budget estimate, the proportionate amount of the sanctioned estimate for the period from the 1st April to date, and the total expenditure for the year up to date.

42. To enable the Inspectors-General of Ordnance, the Director-General of Ordnance, the Commissaries-General, the Commissary-General-in-Chief, Surgeons-General, Principal Medical Officer, Her Majesty's Forces, the Director, Army Remount Department, Superintendents of Army Clothing, and the Inspector of Submarine Mining Defences, to control the expenditure of their departments and to keep it within the amount sanctioned in the budget estimates, the Examiner of the accounts of the department concerned furnishes these officers, immediately on the accounts of a month being compiled, with a statement showing in detail the expenditure under each subhead of the grants for which they are responsible.

43. *The Commander-in-Chief in India.*—The Commander-in-Chief can finally sanction expenditure not

provided by regulations, but not beyond the power of sanction by the Military Department, up to a limit of Rs. 2,500 in each case, and not exceeding Rs. 10,000 in any one month, taking all four commands together, on the conditions mentioned in paragraph 33. The condition that the amount can be met from the sum provided for a particular command in the estimate under a particular head of the grant, may be so far relaxed that the Commander-in-Chief may within the limit of his sanctioning power re-appropriate funds for the purpose required when they are available in the same grant in the budget of another command or commands, on the condition that the total sum provided under the particular head affected in the estimates for all four commands is not exceeded. To assist the Commander-in-Chief, one of the existing Controllers is appointed Central Controller, and he records the total of the expenditure of all four commands under budget heads, so that he can inform the Commander-in-Chief whether there are savings in the estimates to meet the cost of the proposed sanction. It is the duty of the Central Controller to see that the powers delegated to the Commander-in-Chief are not exceeded.

44. *Heads of Departments with the Government of India, such as Commissary-General-in-Chief, Director-General of Ordnance, &c.*—The Commissary-General-in-Chief is the head of the whole Commissariat Transport Department in India, but he is the adviser of the Commander-in-Chief in such matters as are dealt with by the latter, and has complete administrative and financial control of the whole department. The Government of India sanction contracts such as for malt liquor, meat, rum, sheeting, tea, &c., on the recommendation of the Commissary-General-in-Chief.

45. *Director-General of Ordnance.*—The power of the Director-General of Ordnance over all departmental expenditure is affected only by the limitation assigned under the sanction of Government to the amount to be expended under budget grants.

The Director-General of Ordnance can transfer, under corresponding heads, moneys provided in the grants of the four commands, on the understanding that the total expenditure under each of these heads, collectively for all commands, shall not exceed the total estimates for all India under those heads.

It may be noted that the Director-General of Ordnance in India is empowered to meet excess expenditure in one command under the major heads—stores, camp equipage, and line-gear—by reductions in expenditure under the corresponding heads of another command, provided the budget provision for all India under each of these heads is not exceeded.

Re-appropriations of savings under the head "Extra Temporary Artificers and others," taking the grants for the four commands as a whole, can, however, only be sanctioned by the Director-General of Ordnance under the following conditions:—

i. Savings from the budget provision of any establishment under this head may only be re-appropriated for expenditure in an establishment maintained for the same class of work.

ii. The re-appropriation must in every case be sanctioned by the Director-General of Ordnance before the expenditure is incurred.

iii. The estimate under this head of the establishment from which the re-appropriation is made is to be reduced by the amount so re-appropriated.

Estimates.

46. The military estimates are the basis of the military account system, and it is necessary to describe the preparation of these before dealing with the manner in which they are treated when they reach the Accountant-General, Military Department, and the Government of India. The annual budget estimates of departments are prepared by the local heads of the departments in the commands and are submitted to the Controllers of Military Accounts of each command as follows:—

Ordnance:—	
Personnel - -	15th September.
Matériel - -	15th October.
Commissariat:—	
Personnel - -	1st October in Bengal, Punjab and Madras, and 10th November in Bombay.
Matériel - -	15th October in Bengal and Punjab, 1st October in Madras, and 10th November in Bombay.
Clothing, Remounts, and Medical:—	
Personnel } *Matériel* } - - -	1st October.

47. The estimates are checked in the Military Accounts Department and a consolidated estimate prepared for each grant concerned. A copy of this estimate, for each grant, together with the departmental detailed estimates, from which it has been prepared, is forwarded to the heads of departments for submission to the Accountant-General, Military Department—Ordnance to the Director-General of Ordnance in India, to reach him 1st December; Commissariat to the Commissary-General-in-Chief, 10th December in Bengal and Punjab, 5th December in Madras, and 6th December in Bombay; Army Clothing to the Commissary-General-in-Chief, 10th December in Bengal and Punjab, and 30th November in Madras; Army Remount to the Director, Army Remount Department, 1st December; Medical, direct to the Accountant-General, 15th December.

48. The estimates relating to salaries and establishments are based on the orders of the Government of India or of the Secretary of State, or on the scales laid down in the various army regulations. Nothing may be entered in the estimates which has not received the sanction of the Government of India in the Military Department. When these estimates have been sanctioned, they form the limits within which military expenditure may be incurred without previous reference to the Government of India. The limits are absolute and may not be exceeded under any circumstances without the sanction of the Government of India. This applies not only to the estimates for the army of India, but to each grant in each estimate of commands. Expenditure which cannot be met from the grant made, requires the sanction of the Government of India, and save for exceptional or extraordinary reasons, expenditure for which no provision has been made in the estimates of the current year should not be proposed. When it is proposed, it has to be stated whether it can be met from savings, and whether it is considered indispensably necessary that the outlay should be immediately incurred and not postponed to the next financial year, while an explanation is required why the need for the expenditure was not foreseen in time to include it in the estimates. The fact of a charge being included in the budget estimates is no authority for its payment until authority has been obtained in the usual way. The estimates and reports connected therewith have to reach the Accountant-General on the dates mentioned below:—

(1) The Military Budget estimate of ensuing year, not later than 15th December.
(2) Cash requirement estimate, not later than 20th December.
(3) Report showing the circumstances or orders likely to affect to any considerable extent the provision in the budget estimate of current year, not later than 1st July.
(4) The preliminary revised estimate of current year not later than 25th October.
(5) The revised estimate of current year, not later than 18th January.
(6) Revised cash requirement estimate of current year, not later than 26th January.

The Commander-in-Chief and Lieutenant-Generals Commanding the Forces must put forward proposals affecting expenditure so as to reach the Government of India at latest by the 30th November.

49. Controllers of Military Accounts scrutinise the estimates both in regard to details and general results of the military expenditure proposed, passing in review all the fixed establishments in every department, and apply to the charges not fixed, including stores, army supplies, and contingencies, every possible test for determining whether the estimates provided for these services are being administered with due economy.

50. The collection of details for the estimates is performed in the following manner. About the middle of August in each year the Controller addresses heads of departments and offices asking for their estimates for the ensuing year; the estimates for expenditure other than those by heads of departments are prepared by the Controller, while at the beginning of June the

Controller addresses the Accountant-General, Military Department, in view to obtaining information of the number of regiments and batteries and the strength of the force to be provided for in the estimates of the next financial year; and this information is furnished by the Controller to the heads of departments for their estimates.

51. The check of estimates of receipts and expenditure is made according to definite rules laid down in the Military Account Code. The *matériel* portions of the estimates for ordnance, medical, and clothing stores proposed to be purchased locally, are checked by comparison of the quantities of stores estimated for with those provided in the estimates of the current year, and of the total value with the total expenditure of the two previous years, any considerable variations being brought to notice; while the rates are compared with the contract rates of the previous year. Discretion has to be used in calculating and checking the estimates with reference to the effect that events occurring or impending are likely to have on receipts or expenditure. The Controller does not forward to the Accountant-General, Military Department, any demand for provision in the budget which cannot reach him before the 25th January, but returns the communication to the officer or department concerned for submission to Government if desired. Special rules are laid down for checking the estimates for pensions and rewards for military services. The estimate is prepared from the detailed estimates furnished on a form supplied annually by the Accountant-General, from the detailed estimates furnished by departments and from those prepared by the Military Accounts Department, and should reach the Accountant-General not later than 15th December, accompanied by detailed estimates, with the exception of the estimates for departments which go to the head of the department concerned. With these estimates are furnished statements showing the effect of the Controller's proposals on each grant in comparison with previous actuals and with current year's estimates and the budget estimates of the heads of departments for the next financial year; and the Controller sends an explanatory letter noticing the chief items of variation compared with the preceding year's estimate, and mentioning any special items or proposals for which no provision has been made. This letter should reach the Accountant-General not later than the 25th December.

52. On receipt of the sanctioned estimates from the Accountant-General, copies are at once distributed by Controllers to the officers concerned, and the various heads of departments are at the same time informed of the alterations made in their estimates and of the reasons for the same.

53. The Controller also furnishes the Accountant-General yearly with a preliminary report by letter, to reach him on the 1st July, whether there are any circumstances or orders issued since the preceding 1st of April which are likely to affect the provision in the estimates of the current year, and similar reports are submitted through Controllers by the administrative officers of the Commissariat, Clothing and Ordnance Departments to the heads of those departments with the Government of India.

54. *Preliminary Revised Estimate.*—The preliminary revised estimate shows only the total receipts and expenditure under each grant based on the actuals of the first four months of the year, and is submitted to the Accountant-General by the 25th October. In order to enable the Controller to prepare this estimate, each Examiner will submit to him about the 5th October a preliminary revised estimate of receipts and charges under the various grant heads for which he is responsible. In framing the preliminary revised estimates all important changes affecting it have to be taken into consideration, and this duty is performed by the heads of local departments who are responsible for informing the Controller.

55. *Revised Estimate.*—The revised estimate is based on the actuals of the first seven months, the Examiners submitting their revised estimates to the Controller by the 5th January, the similar rules prescribed for the preliminary revised estimate being followed. Expenditure which has not been sanctioned by authority cannot be included in the revised estimate, and provision cannot be made for any additional expenditure as the estimate is a mere forecast of probable actuals, but anticipated extra sanctioned expenditure is of course included. Notes are made against certain particular heads such as "Provisions for Europeans," "Provisions for Natives," "Compensations," &c., &c., stating whether a rise or fall in prices may be anticipated in the remaining months of the year. The actual receipts and charges for the first eight or nine months in the year in each grant are telegraphed to the Accountant-General on the 30th January and the 28th February, respectively, at the latest.

56. *Cash Requirement Estimate.*—The figures of the military budget estimate are taken as the estimated military receipts and expenditure, and the figures under Debt and other heads are based on the average of the previous three years. The cash requirement estimate is in fact an estimate of the actual cash which will be required for payments to be provided in the Treasuries of India, and which will naturally be considerably less than the total of the budget estimates, which take into account various receipts and credits which do not enter into the cash requirements of the service.

57. *Revised Cash Requirement Estimate.* — This is based on the actuals of the first seven months of the year and the last five months of the past year.

58. The comparison of receipts and expenditure with budget grants is made by each Examiner responsible, and whenever it appears probable that the expenditure will exceed the budget estimate, or that there is likely to be a falling off in receipts, the Examiner has to make a full report to the Controller. And as in some cases receipts and charges under the same budget head are finally dealt with by more than one Examiner, although one alone is responsible for watching expenditure under the grant, he is furnished by other Examiners with extracts from their monthly compilation of accounts showing the total amounts finally audited and compiled by them against the grants for which he is finally responsible.

59. Appropriation of savings which occur in the ordinary course with normal fluctuations and in consequence of the introduction of definite economies under one head of a grant to meet excess expenditure in other heads of the same grant, will be provided by the Controller in communication with the head of the department concerned. Savings under one grant must not be appropriated towards excess expenditure under another except under the orders of the Government of India, and generally only small savings which ordinarily occur in the various items will be appropriated in this way without the special sanction of Government.

60. When it appears probable that the total provision under any grant of the estimate will be exceeded, a report is at once made by the Controller for the information of the Government of India. Excess of expenditure over budget provision is taken into consideration by Government in preparing the revised estimates of military expenditure, and heads of departments have to furnish to the Controller, to reach him not later than the 28th January, with a report of any known circumstances or orders of Government or arrangements made by themselves which are likely to cause variations in the figures. No transfer of savings from one Command to another can be made, but as excess expenditure in one Command may be met by savings in another, such has to be reported to the head of the department with the Government of India for the orders of the Government of India if necessary.

61. The Accountant-General is kept informed by the Controllers of every kind of variation that is likely to occur in the estimates. Statements are furnished by the Examiners, comparing the military receipts and charges with the budget proportions, to the Controller, every month within six days from the despatch of the consolidated compilation of receipts and charges from the Accounts Branch of the Controller's office to the Accountant-General, Military Department. The Controller consolidates these statements and reports the consolidated figures to the Accountant-General within 15 days from the date of the despatch of the consolidated compilations of receipts and charges.

62. Each Controller prepares an annual appropriation audit statement on the basis of the statements prepared by the Examiners, and these audit statements are consolidated by the Accountant-General and submitted to the Comptroller and Auditor-General.

63. A quarterly statement of additions and alterations of establishments sanctioned by the Government of India is submitted to the Military Department

within two months of the close of the quarter to which it relates.

64. A monthly statement of extra expenditure (not provided for in the budget estimate) sanctioned or confirmed during each month by the Government of India, or the Secretary of State for India, is submitted by the Controller to the Accountant-General before the expiration of the month following that to which it relates. This statement is prepared from the register maintained in the Controller's office.

65. Schedules of extra expenditure sanctioned by the Commander-in-Chief, Lieutenant-Generals Commanding or by Controllers, are submitted to the Government of India in the Military Department on the 15th of the month following that to which they relate. In submitting these schedules, the Controllers specially invite the attention of the Government of India to any sanction that may appear to call for further notice.

66. With regard to the supplies obtained from England, annual indents and estimates are prepared by the respective local heads of departments in the Commands and submitted to the Controller of Military Accounts. These are carefully reviewed and submitted to the head of the department concerned with the Government of India, who after review and correction forwards them to the Government of India for transmission to the Home authorities.

Financial Organisation of Military Department.

67. The Military Department is divided into three main divisions :—

(1.) The Military Division which deals chiefly with military questions.
(2.) The Administrative Division which deals with the business of the Commissariat, Ordnance, Medical, &c., Departments.
(3.) The Finance Division.

In addition to these three main divisions, there are the Marine and the Military Works Branches.

68. At one time the business of the Military Department was distributed in sections which were not grouped together under these three main heads, and the consequence was that various sections dealt with such matters as Pay and Allowances, Pensions, Accounts, Compensation, Funds, Advances, Losses, and so forth. What was called the Accounts Branch of the office was under the Accountant-General, who was responsible for the scrutiny of presidential budgets and accounts, compilation of Imperial budgets and accounts, preparation of statistics and information, and was the adviser of the Military Department in matters of account, economy, and finance.

69. Since 1888, however, the Military Department has been organised as above described. In the Finance Division there are two distinct branches :—

(*a.*) The Accounts Branch which is the Chief Office of accounts, and deals with all the questions which are referred by the Military Accounts Department, and reviews the various proposals for expenditure.
(*b.*) The other branch of the Finance Division is called Section F, and forms a branch of the Military Department in which financial subjects are dealt with, such as advances, compensation, funds, pay and allowances, pensions, and so forth.

70. This latter section was established on the advice of the committee appointed in 1880 by the Secretary of State to inquire into the system of military accounts and estimates in India, and the Accountant-General was to be a Deputy Secretary whose special function it would be to deal with Military Finance and the Military Accounts Department. His duty was to obtain the fullest information regarding military receipts or outgoings, to keep the Government in the Military Department informed regarding receipts and expenditure, and to bring to notice any points of administrative importance or interest arising out of the information received. The military estimates were to be in his special charge, both in respect to their original compilation and the subsequent comparison of them with the actual progress of receipts and expenditure.

71. *Accountant-General.* — The Accountant-General and Deputy Secretary for Finance is the head of the Finance Division of the Military Department. As Accountant-General he deals with the business of the Accounts Branch in communication with the Controllers, one in each Command; as Deputy Secretary for Finance he has charge of the Finance Section of the Military Department, and notes or minutes on matters which are dealt with in that Section (known as Section F). But is must be observed that his opinion, report, or review as Accountant-General, is often required on matters dealt with in the other branches of the Military Department, and in such cases the papers are referred to him as Accountant-General. Although a large number of questions dealt with by the Military Department do not involve financial issues, yet, on the other hand, a great deal of the business which comes to it involves increase or decrease of expenditure, and, therefore, the work of the Military Department is to a large extent financial, and the officers of the Military Department are required to scrutinise all proposals which may come up to the department from this point of view, although the technical report may be received from the Controller of Military Accounts or from the Accountant-General.

72. It may be noted that all references from the Commander-in-Chief through the Adjutant-General, Quartermaster-General, and Principal Medical Officer, or from the Lieutenant-Generals Commanding the Forces, as the case may be, have, when on the following subjects, to be submitted to the Government of India through the Controller of Military Accounts concerned :—

(*a.*) Sanction to new or excess expenditure.
(*b.*) For increased pay, or claims to pay and allowances, whether ordinary or special.
(*c.*) For pensions.
(*d.*) Applications of like nature. The Controller concerned reports on the financial bearing of the proposals or application. When officers or others appeal against a retrenchment from their pay and allowances, the appeal, if the Controller's decision is not accepted, will be referred by the latter for the final decision of Government. If the Controller refuses to refer the case, the officer appeals through the military authorities or his department to the Commander-in-Chief.

73. The Accountant-General and Deputy Secretary in the Military Department is assisted by the following officers :—

Deputy-Accountant General.
Assistant Accountant-General.
Assistant-Secretary for work in Section F.

74. The Deputy Accountant-General is *ex-officio* Assistant Secretary to the Government of India as, in addition to his duties as the Accountant-General and Deputy, he deals under Deputy Secretary's orders with certain matters in Section F, which comprises a large number of subjects. The Accountant-General is the head of the Military Accounts Department in India, and has charge of the chief office of accounts. The estimates for the military expenditure of the whole of India are collected by him, he corresponds with Controllers on accounts, procedure, estimates, and similar subjects, and issues the necessary instructions either on his own responsibility or after taking the orders of Government. He advises the Government of India on every question relating to military expenditure which may be referred to him. He corresponds direct with the Comptroller and Auditor-General, to whom he submits an annual appropriation audit report. As Deputy Secretary for Finance he deals with all matters that arise in connexion with Military Finance, or the Military Accounts Department—see paragraph 70 *ante*. He deals with the annual confidential reports on officers of the Military Accounts Department and makes officiating promotions and transfers of officers of that department, but appointments and permanent promotions are made by the Government of India.

75. The duties of the Accountant-General, always extremely onerous, become doubly responsibly and arduous in time of war, or when large military expeditions take place. The responsibility rests in the first place with the Controllers. These officers have to telegraph to the Accountant-General on the 20th of each month the total military expenditure by military disbursing or civil officers in the previous month; and on the 26th the total debits for military expenditure incurred in other departments as received through the central adjusting accounts for postal, telegraph and public works services.

76. This is the ordinary procedure, but in time of war, these debits may reach a high figure, and Controllers are required to ascertain their value at the earliest date, and also to ascertain the probable demands which may come forward. The Controllers must place themselves in communication with the heads of the spending departments and the General officers in the field so as to supplement independently the information received from disbursing officers. In the same way the Accountant-General, in communication with the heads of departments and the chief military authorities, as well as with the Controllers, watches the current, and endeavours to anticipate the future, expenditure, while he is assisted in this duty by the returns received from the Comptroller-General of the outgoings from the treasuries. Controllers furnish him on the 10th of each month with forecast estimates showing the extra expenditure likely to be incurred during the month on account of field operations and special services, and on the 28th of the following month a statement of preliminary actuals showing the extra expenditure likely to be compiled in the accounts for the month and the total value of all outstanding liabilities up to the end of the month in question.

77. The returns and statements received by the Accountant-General, and issued from his office, are very numerous, but enable him to watch the expenditure closely, and to furnish the Military Department with complete information (see Appendix A).

Financial Powers of the Military Department.

Control of the Finance Department.

78. The Government of India are the final sanctioning authority for all expenditure in India, on whatever service, and in whatever department of Government incurred. In the Department of Finance all arrangements necessary for the provision of funds are made. In cases involving an increase of salary, the creation of a new appointment, or the grant of a special pension, which require the previous sanction of the Secretary of State, the proposal is submitted to him by the Department of Finance. Increases to salaries and establishments requiring the sanction of the Secretary of State may not, except in cases of great emergency be carried into effect until that sanction has been obtained.

79. No order involving an abandonment of revenue for which the Government of India have taken credit in the budget, or expenditure which has not been provided for in the budget, or which, though provided for, has not been specially sanctioned, shall issue without previous reference to the Department of Finance. No measure, which must or may involve a permanent abandonment of revenue to any material extent, can be adopted without the previous sanction of the Secretary of State.

80. The following are the principal rules of business in connexion with questions of finance in the Military Department:—

I.—Heads of Departments and Executive Officers of the Army are prohibited from making provision in their annual budget estimates for items of expenditure which have not been sanctioned by the Government of India.

II.—This prohibition also applies to the Military Department, which cannot, without the previous concurrence of the Finance Department, enter in its estimates any new items of expenditure which require the concurrence of that department, or the sanction of the Government of India as a whole, or of the Secretary of State.

III. The mere fact of provision having been made in the budget for any charge, conveys no sanction to the expenditure, as special sanction must be obtained in every such case before the expenditure is incurred.

IV. After the annual estimate has been sanctioned, no expenditure, save in special and exceptional cases, should be proposed or sanctioned, unless it can be met from savings in existing grants.

In submitting applications for such extra expenditure, officers concerned are required to specifically state how it is proposed to meet the same, whether from savings, and what savings, or by an additional grant.

V. All applications for sanction to fresh expenditure should be accompanied by a statement in the form given in Appendix B which should be filled up, as far as possible, by the head of the department submitting the proposal; and when he is unable to do so completely, he should ask the Controller of Military Accounts, through whom it is to be submitted, to complete the statement, when passing on the application to Government.

VI. Applications for sanction to fresh expenditure to be provided in the Annual Military Budget Estimate of the ensuing official year, should be submitted for the consideration and orders of the Government of India not later than the 30th November of each year.

Only proposals which are of an exceptional and urgent character, and which could not have been submitted before the 30th November, can be received after that date; and when so forwarded, explanation of the delay should accompany them.

VII. The following rules define the powers of the Military Department to sanction military expenditure without previous reference to the Department of Finance:—

(*a*.) Military expenditure may be sanctioned by the Military Department, without previous reference to the Finance Department, only on the following conditions:—

(1.) The expenditure must be purely military or *quasi*-military.*

(2.) The expenditure must be such as does not require the sanction of the Secretary of State, and it must not involve any outlay in excess of the budget grant for the combined requirements of all the four commands under any of the minor heads under "46, Army."

(3.) Expenditure on the acquisition of land for military purposes must not exceed Rs. 10,000 in the case of any one project.

(4.) No new principle or no change of practice which is likely to lead to expense shall be introduced.

(5.) No appointment of which the pay is more than Rs. 250 a month shall be created, and no addition shall be made to the pay and allowances of any officer if they exceed, or would after the addition exceed, Rs. 250 a month.

(6.) No rule or standing order of the Finance Department shall be contravened.

(*b*.) The Military Department exercises the powers of a local government as defined in Article 41 of the Civil Service Regulations in respect of officers serving directly under it and not under any local governments, and subject to the proviso that so far as clause (*b*) of the Article is concerned, the pensions sanctioned are chargeable against the Military Estimates. [The regulations referred to relate to temporary appointments and deputations, pensions and travelling allowances.]

(*c*.) The Military Department may not sanction any pension, whether under civil or military rules, in excess of amounts admissible under rule; or relaxation of any rule affecting an officer's title to pension without the previous concurrence of the Finance Department, and the sanction of the Secretary of State obtained through the latter department.

(*d*.) With the exception of cases failing under clauses (*a*) and (*b*) every proposal for new expenditure which has not been provided for in the Military Estimates, or which, though provided for has not been specifically sanctioned by the Government of India in the Finance Department, shall be forwarded to the Finance Department for previous consideration, the amounts for which sanction and additional grants (if any) are required being stated in every case. Where the expenditure has not been provided for in the estimates, the reference should be accompanied by a statement in the form prescribed in Financial Resolution No. 1360-A., dated 21st March 1895, *vide* rule V.

In cases which, in the opinion of the Governor-General, require great secrecy or despatch, it shall not be necessary for the Military Department to make such reference; but every order so passed must have the sanction in writing of the Viceroy, and must be communicated to the Finance Department without any delay.

(*e*.) If at any time it should appear probable that the combined grant for the four commands under any

* A revision of a petty establishment which is within the powers of the Military Department to sanction, is not excluded from these powers by reason of its involving the contingency of larger pensions to any members of the establishment,

of the minor heads under "Army" is likely to be exceeded, the earliest possible information should be given to the Finance Department, and application made for a further grant sufficient to meet the probable excess; and the application must be accompanied by the statement referred to in clause (*d*).

(*f*.) When any special military operations are about to be undertaken the Finance Department should be promptly and specially informed of the fact, and furnished with a forecast of the probable expenditure and probable cash requirements—

(1) in as great detail as possible; and

(2) as promptly as possible.

The forecast estimate should be accompanied by a statement in the form referred to in clause (*d*). Any material modification which it may be advisable to make from time to time in the forecast shall also be communicated to the Finance Department.

(*g*.) The Accountant-General, Military Department, shall not be finally overruled upon a question of rule or procedure, including these rules.

(*h*.) Quarterly statements of all pensions, gratuities, and compassionate allowances, and increases and decreases of establishments sanctioned in the Military Department under clauses (*a*) and (*b*) shall be sent to the Finance Department for information.

In reviewing those statements the Government of India in the Finance Department reserves the right of objecting to alterations in rates of pay or allowances, which in its opinion would produce inconvenience in other departments.

VIII. A scheme involving the reorganisation of a whole department throughout India requires the sanction of the Secretary of State for India, whatever the amount of the salaries in question.

IX. No modification of, or addition to, the authoritative regulations and codes of the Government of India, in regard to pay and allowances or pensions, which is of a nature to require the sanction of the Secretary of State for India, can be made without reference to that authority.

X. In no case, without the sanction of the Government of India and the Secretary of State, shall the addition of a bonus or honorarium, from whatever source, raise the total emoluments of any officer above Rs. 5,000 a year. If it is proposed to grant to any officer for special work of any description a bonus or honorarium which will require the sanction of the Government of India or of the Secretary of State, as the case may be, the consent of the Government of India in the Finance Department must be obtained to the payment of a specific sum before the work is begun.

XI. Any proposition involving an increase of salary or the creation of a new office which requires the sanction or confirmation of the Secretary of State for India, from whatever department it may have emanated, shall be finally considered in the Finance and Commerce Department, and transmitted in that department to the Home Government.

XII. All departments of the Government of India, local governments and administrations, and heads of departments, should refrain from recommending for sanction, in anticipation of the approval of the Secretary of State, any expenditure which requires the sanction of Her Majesty's Government. Nothing short of urgent necessity could be held to justify any disregard of these orders, and when such urgent necessity occurs, it should be precisely explained, together with the reasons why it was not foreseen in time to enable the Government of India to take the orders of Her Majesty's Government in due course.

XIII. All communications in respect to the relaxation of any rule or order of the Government of India in the Finance Department relating to pay, allowances, leave, and other service rules and privileges, in any departments other than those noted in the margin, should be primarily addressed to that Secretariat of the Government of India in which administrative questions relating to the department affected are dealt with.

Excise.
Customs.
Assessed taxes.
Salt.
Opium.
Stamps.
Post Office.
Mint.
Account Department (Civil).
Merchant shipping.
Ports and port dues.
Light-houses and light dues.
Pilot service.

XIV. Correspondence between the Financial Department and the other departments of the Government of India, respecting the pay and allowances of any officer on any Secretariat establishment of the Government of India, or the application of financial rules to any such officer, or respecting any expenditure by such Secretariat, should be conducted officially.

For the purposes of this rule, the Accounts Branch of the Military Department is held to be part of the Secretariat.

XV. In furtherance of the orders of the Secretary of State that in future an audit officer shall require the sanction of the Secretary of State for India, before admitting any expenditure charged against the public revenues, which is not within the competence of the Government of India to sanction, the Government of India have laid down the following rules for the guidance of offices of audit:—

(*a*.) An audit officer, before admitting in audit any charge against the public revenues which requires the sanction of the Secretary of State, must satisfy himself that that sanction has been accorded either by general or by special order of the Secretary of State. The cases in which that sanction is necessary are stated in the following rules; for the admission of any charges which are not stated in these rules to require the sanction of the Secretary of State, the authority of the Government of India (or, in classes of cases for which the Government of India has delegated its powers to local governments, of the local government) is sufficient.

(*b*.) In these rules the word "salary" includes all payments to officers from general revenues or from local funds administered by Government, whether in the nature of fixed allowances or of fees, rewards, or honoraria.

(*c*.) The sanction of the Secretary of State is required to the following:—

(1.) The creation of an appointment of which the salary exceeds Rs. 3,000 a year, whether permanently or temporarily. But in the case of a temporary appointment, the sanction need not necessarily be obtained previous to the appointment taking effect.

(2.) The raising of the salary of an officer or of a sanctioned appointment to an amount in excess of Rs. 5,000 a year, or increasing a salary which is already in excess of that amount, whether by the grant of increased fixed allowances, or temporarily by the grant of fees, rewards, or honoraria.

(3.) All orders involving expenditure for which the Civil Service Regulations or other authorised code specially declare that the sanction of the Secretary of State is necessary.

Finance and Commerce Department Resolution, No. 1,637, dated the 19th April, 1892.

(4.) Revisions* of establishments which involve expenditure of more than Rs. 25,000 a year.

(*d*.) The following are exceptions to the preceding rule; for them the sanction of the Government of India is sufficient:—

(1.) The grant of travelling and conveyance allowances.

(2.) The grant of deputation allowances, that is, of allowances in addition to other emoluments to officers placed on deputation, as defined in Chapter IV. of the Civil Service Regulations.

(3.) The grant of house-rent allowances or of free quarters.

(*e*.) In applying these rules, audit officers may assume that all the provisions of the Civil Service Regulations, the India Army Regulations, the Public Works Codes, the Forest Code, and any other authorised Code have received the sanction of the Secretary of State in all cases in which that sanction is necessary. They may, therefore, admit without requiring the sanction of the Secretary of State any pensions, acting allowances, or other allowances which are admissible under the rules of those Codes. Any allowances which are in excess of those admissible under those Codes will require the sanction of the Secretary of State if they come within the terms of rule (*c*) above.

[* NOTE.—That is, revision of establishments which will add more than Rs. 25,000 a year to the cost of the establishments.]

(*f.*) Audit officers may also assume that any general sanctions issued before 1889 (such, for example, as the orders granting personal allowances to military officers in the police in some provinces and the rules under which rewards are granted to officers for passing language examinations) had duly received the Secretary of State's sanction when that is necessary, although under the procedure in force up to that year the orders were communicated to audit offices on the authority of the Government of India only.

* * * * *

(*g.*) Any objection raised under these rules to any order issued by the Government of India will be reported to the Secretary of State for information if the objection is overruled by the Government of India, and for the required sanction if the objection is not overruled. The Military * * * Department of the Government of India must, therefore, refer any such objection to the Finance Department before disposing of it.

81. Numerous rules have, it will be seen from the above, been laid down in past years for governing and restricting the powers of the Military Department and for watching expenditure; but within the last few years, stricter and more detailed regulations have been issued within the Military Department itself prescribing the mode of dealing with proposals involving an increase or decrease of expenditure affecting the military or marine estimates. With every proposal for expenditure a statement is required to be put up to show clearly the amount, initial and recurring, and whether the sanction of the Finance Department is necessary. No proposal involving an increase in any future estimates is sent for the concurrence of the Finance Department except by order of the Military Member of Council, while no proposal of this kind which can be sanctioned by the Military Department is sanctioned without the authority of the Member of Council, except in cases where the secretary may think it unnecessary to refer to him; and this applies to any proposals for expenditure which affect the current year and the expenditure in connection with the home estimates. Final sanction for provision being made in future estimates is not given to any proposal involving an increase of expenditure unless the case does not admit of delay, but when after full consideration the necessity for the expenditure is accepted, and it is within the power of the Military Department to sanction it, the orders issued, except in cases of extreme urgency, should indicate that the entry of the items in the estimates depends on funds being available when the estimates are being considered. Such orders will be passed only by the member of council or by the secretary acting on his behalf. Similarly the concurrence of the Finance Department or the sanction of the Secretary of State to any expenditure beyond the power of the Military Department to authorise should, except in cases of urgency, only be asked for, subject to money being available.

82. The Accountant-General closes the budget estimates in their preliminary stage on the 25th January, and all finally sanctioned items are entered in the estimates which may have reached him up to the 24th January; and after that date nothing will be entered except through the final list (see paragraph 86). Each section of the Military Department (and there are certain separate sections to each division of the department) keeps up registers of all proposals involving increase or decrease of expenditure, and when orders are passed, the words "sanctioned," "negatived," or "to be considered with the estimates," are to be noted against the entry in the column allotted for that purpose. Separate registers are kept for each financial year, and those proposals which have not been finally disposed of on the 31st March by reason of their being still under consideration, form the first entries in the register for next year, and those that have been rejected for want of funds, but which are ordered to be considered with the estimates of the following year, are entered afresh in the registers of that year; while those that have not been ordered to be so considered with the estimates of the following year are treated as if they had been finally negatived. The financial registers show the effect on the estimates of the current and coming years, respectively, when a proposal has been accepted, the initial expenditure being carefully distinguished from recurring annual expenditure.

83. The quarterly lists are prepared by each section in the same form as the financial register, and show all proposals finally sanctioned during the quarter or which have been postponed for consideration with the estimates. These lists are printed up at the close of the quarter. As soon as possible after the close of each quarter, lists are prepared in section F., and submitted through the Secretary to the Member of Council in charge of the department, together with the quarterly abstract. These show:—

(A.) Items sanctioned finally in the current year but not provided for in the estimates for that year, which may not recur in the ensuing year.

(B.) Items sanctioned in the current year, but not provided for in the estimates of that year, which will recur in the ensuing year.

(C.) Items deferred for consideration with the estimates of the ensuing year on the understanding that orders will not issue until the question of funds has been considered by the Financial and Military Members of Council with the estimates of that year.

(D.) As soon as possible after the 1st April, when the estimates have been closed, a list D., of special items provided for in the budget estimates of the current year which may not recur in the ensuing year, as far as is known at the time, is prepared by the Accountant-General and submitted through the Secretary to the Member of Council in charge. Expenditure for war and special services is distinguished from ordinary expenditure.

84. In October, a copy of this list is communicated by the Military Department to the heads of departments concerned, asking them to specify which of the items contained in it will have to be provided for in the estimates of the coming year. The replies are then dealt with in the sections concerned, in the same manner as all other proposals which involve expenditure. Early in January, section F. circulates to sections a copy of list D., and they complete it with the decisions dealing with the replies received from the heads of departments. Those items in list D. which the Governor of India decide to consider with the estimates will be entered in the final list C. under the heading "special items provided for in the estimates " of the current year, for which provision is desired " in the estimates of the ensuing year."

85. A list similar to the quarterly printed list mentioned before is prepared for the period from the 1st January to the date prior to the closing of the military budget estimates in the Accountant-General's viz., Office, 24th January, and the lists A. B. and C., are completed by section F. up to the 24th January and submitted to the Member of Council. At the beginning of each of the lists will be shown the amount brought forward from the previous lists. All cases for consideration with the estimates are noted by the sections concerned, and a complete list of them for the period from the 25th January to 15th February is sent to section F. not later than the 18th February. List C. is now completed for the period from the 1st April to the 15th February, and in this form is called final list C. After its completion, no item will be accepted for consideration with the estimates except under the special orders of the Member of Council, and no proposals for expenditure in the year following that for which the estimates have been thus closed, should be submitted until after the 1st April following. The final list C. includes all items of grants lapsing for the current year, which require to be provided for the ensuing year. The amounts to be provided in the ensuing year on account of field operations will also be shown in this list. The Military Member of Council having ascertained from the Financial Member of Council what sum is likely to be available for the following year, and having ascertained from the Accountant-General the approximate amount of the military estimates as framed before the entry of any of the items in the final list C., will fix a date on which he will examine those items and select only those which he may consider most urgent. This is done in communication with the Commander-in-Chief. A revised list is then drawn up under the orders of the Member of Council showing what items are to be included in the estimates, and these orders are issued by the Miltary Department to heads of departments concerned. This revised list is passed to the Accountant-General under the Secretary's initials as authority for inclusion in the estimates. The Accountant-General at the same time is authorised to close the estimates, and a copy of the revised list is sent to the Financial Member of Council.

86. By means of the foregoing financial lists the Government of India in the Military Department can watch the progress of military expenditure in the current year, and can regulate the expenditure of the ensuing year within the limits assigned by the Financial Department.

87. *Procedure in respect to Estimates in the Military Department.*—The mode in which the estimates are prepared by Controllers of Military Acccounts has already been detailed. When these estimates are received by the Accountant-General, he consolidates them in the Accounts Branch of his division. He thoroughly examines the estimates of the four commands in detail, and alters them if he considers it necessary. He brings the corrected figures together in one general estimate for the whole of India, and submits them to the Military Department. He checks the estimates item by item, and calls upon Controllers for any further explanation that may be necessary. The estimates of the large spending departments in each command are forwarded by Controllers to the heads of those departments with the Government of India, namely:—the Director-General of Ordnance in India, the Commissary-General-in-Chief, and the Director, Army Remount Department. These officers, after reviewing them carefully, make suggestions for modifying them to the Accountant-General, who also revises them thoroughly, and addresses those officers in view to the provision under any of the authorised heads being increased or reduced according to any circumstances or orders he may be aware of. Should they agree to his proposals, these are carried out at once, otherwise the matter is submitted to the Military Department for orders. In a word, it may be said that every item in the estimates as submitted to him, pass under a rigorous scrutiny in his office. The form of the estimates themselves shows the requirements of the Finance Department with regard to past actuals, and the Controller and Auditor-General is also consulted. The Controller-General is bound to attend specially to the reconciliation of the departmental figures (both actuals and estimates) with the payments into and issues from the treasury; and it is also his duty to work out the adjusting entries which connect the audit figures of the Military Department with the net issues from the treasuries. The Accountant-General's responsibility consists in checking the Controller's estimates in regard to provisions for establishments as allowed by the regulations, and any special orders of the Military Department, and as regards services according to the average normal expenditure of past years and any special orders of the Military Department; and he has to modify the estimates in accordance with any subsequent orders from the Military Department.

88. The responsibility for the sufficiency and moderation of the annual estimates rests with the Military Department, and the Secretary in that department has, therefore, distinct responsibility for the military estimates.

89. The Military Member of Council is responsible generally to the Governor-General and his colleagues for the military estimates, the supreme responsibility for the estimates resting upon the Governor-General in Council, or the Government of India collectively.

90. After the fullest consideration of the estimates by the Member of Council, they are sent to the Finance Department with a formal letter or memorandum, intimating that they have been passed in the Military Department, and these estimates have to reach the Finance Department about the 13th February.

91. The Finance Department does not check the military estimates in detail, and if there should be an error in the estimates as originally passed by the Military Department, any failure on the part of the Comptroller-General or the Financial Secretary to detect that error will not relieve the Military Department of its responsibility. The measure of responsibility of the Comptroller-General and the Financial Secretary for the military estimates will be the means which they possess of checking these estimates. Up to the limit of their power of checking the military estimates, their responsibility would be enforced, and beyond that limit it cannot be enforced.

92. It is with the Military Department that the responsibility for the estimates in the first instance, and for the control of the current expenditure, must rest. The action of the Finance Department is limited to the exercise of due care that *primâ facie* the estimates properly exhibit the authorised charges on account of the several services of the year, and that the expenditure is not proceeding at a rate unwarranted by the sanctioned estimates.

7th December 1895. E. H. H. C.

APPENDIX No. 87.

LETTERS from Sir E. COLLEN, supplementing and correcting his Evidence.

No. 1.

To the Right Hon. Lord WELBY, G.C.B., Chairman of the Royal Commission on Indian Expenditure.

Calcutta,
MY LORD, 1st March 1897.

I HAVE received the first report of the Royal Commission on the administration of the expenditure of India, with the minutes of evidence, and I now ask permission to submit to the Commission, memoranda in connexion with my own evidence, and with that which has been given by others in respect to the subjects upon which I was examined.

2. I trust that these memoranda may be laid before the Commission and published in the appendices to the final report.

3. The memorandum which I submit herewith has reference to the effect of short service upon the army in India. I venture to think that there has been some misapprehension in regard to the statistics of invaliding, age, and length of service in India.* At the time of my examination, the statistics which were available were not full or complete. I had the invaliding statistics of 1887-88, which were mentioned in Lord Lansdowne's despatch of the 25th March 1890, but the age statistics were for the 1st January 1895. I pointed out that the years were not comparable, and that I should like to have a further opportunity of going into the question.

4. If my memorandum and the statistics appended thereto are carefully studied, I venture to think that my pleas will be accepted, viz., that the decrease in mortality is not consequent on the introduction of short service, but is the result of measures beneficial to the health of the soldier; that although the general invaliding ratio has been diminished, there has been an increase in the percentage of men and invalids under 25 years of age and under five years' Indian residence; and that the ratio of "constantly sick" has largely increased; finally, that the short service system does

* Qq. 6234-61; 13,141-43; 13,144-46; 13,148-49.

not allow us to retain the men sufficiently long in India; that it does not give a better or healthier army to India than one which would contain a larger proportion of more matured men. If the short service system is to be maintained exactly as it is, under which India does not possess such an efficient army, from the physical point of view, as she might have under other conditions, then I venture to submit this should be taken into account in assessing the charges against Indian revenues.

I have, &c.
EDWIN H. H. COLLEN.

I.

MEMORANDUM.

The health of the army in India may, it is presumed, be judged by—

(1.) Mortality.
(2.) Invaliding.
(3.) The numbers constantly sick.

(1.) Can the decrease of mortality in India be attributed to the short service system?

2. The mortality per 1,000 of European soldiers in India for the period 1800-30 was 84·60; for the period 1830–56 it was 56·70; for the period 1869–78 it was 19·30; for the period 1879–88 it was 16·02; and for 1889–94 it was 15·91. The period 1857–68 has been omitted, as it was that which contained the Mutiny campaigns. Short service began to affect the army in India about 1877, and it will be seen that during the period "long service" flourished, *i.e.*, from 1800 to 1877, the decrease in mortality was from 84·60 to 17·48 in 1875, 15·32 in 1876, 12·71 in 1877 (*see* Table A.). In 1895 it was 15·26.

3. It can hardly be assumed that the decrease in mortality since 1877, when short service began materially to affect the army in India, is due to short service.

It is more reasonable to conclude that it is due to causes, many of which operated before that year, but which year by year are operating more widely and fully; to the soldier being infinitely better housed and cared for, to one-third of the army being stationed in the hills during the hot weather, to better sanitation, to good water supply, to the spread of the temperance movement, more rational clothing, and other causes of a like nature.

(2.) Can the decrease in invaliding be attributed to short service?

4. Taking the period from 1862 to 1876 inclusive, the average is 42·53, and in the period from 1877 to 1895, the average is 29·67 (*see* Table A.).

This is apparently in favour of the army under the short service system. But the question is, how much of this is due to "short service" and how much to all the improvements mentioned under (1)? In my opinion, a great deal is due to the latter causes. There is another reason also which ought to be considered, viz., that younger men often avoid invaliding, because their service is, comparatively speaking, so short in the country; they get a change to the hills, and many are not invalided, as their time is about to expire. But it is not the case that men under 25 years of age are less liable to invaliding than those between 25 and 30.

5. In the ten years 1877–85 (*see* Tables C. and D.), the average percentage of strength under 25 years of age was 41, and the percentage of invaliding of men under 25 years of age was 29.

In the ten years 1886–95, the average percentage of strength under 25 years of age had increased to 51, and the percentage of invaliding under 25 years of age was 53.

In the same periods the average percentage of men of under five years' residence in India had increased from 68 to 78, and the average percentage of invaliding under five years' residence from 66 to 80 in the two periods (*see* explanatory notes following Tables C. and D.).

In the year 1895 the percentage of strength under 25 years of age was 55; the percentage of invaliding under 25 years of age was 66; the percentage of men of under five years' residence in India had increased to 84; and the invaliding of men of under five years' residence to 85.

6. It will be observed that the invaliding among young men under 25 years of age has been gradually and steadily increasing since 1878, when it was 20, to 66 in 1895, the percentage of young men under 25 having increased from 36 in 1878 to 55 in 1895.

There has been a decrease in the total invaliding ratio, but an increase in the percentage of men and invalids under 25 years of age and under five years of Indian residence.

This does not seem to warrant the conclusion that short service, which is to give a residence in India of a little over five years, has decreased the invaliding.

7. The conclusion is rather that invaliding has decreased on account of the diminution of causes which have nothing to do with short service, which operated injuriously in former years, and that the invaliding ratio would have decreased if the army had remained constituted as before. In fact, if the figures mean anything, they mean that invaliding has increased among the more youthful portion of the army, and consequently that short service *per se* has increased, and not decreased, invaliding.

The decrease in the total invaliding ratio is no more due to short service as such, than the decrease in mortality is a consequence of short service.

(3.) Has there been an increase or decrease in the numbers "constantly sick"?

8. There has been a considerable increase. According to Table A. it decreased from 71·35 in 1860, to 55·82 in 1877, when the effect of short service is supposed to have commenced to show itself in India, and it has risen to 93. A good deal of the rise in the "constantly sick" ratio is presumably due to (1) enteric fever; and (2) venereal disease among the youthful fresh arrivals under the short service system. The admissions into hospital for enteric fever (*see* Table B.), increased from 3·1 per thousand in 1870–71, to 26·3 in 1896. Part of this increase is possibly due to imperfect diagnosis in earlier years, and the probability that many enteric fevers were not recorded as "enteric" in those days. Still the increase has been very great. It only increased from 3·1 in 1870–71, to 4·1 in 1877–78, when short service began to take effect. It has risen, with variations, to 26·3 in 1895–96.

9. With regard to (2), venereal disease, the rise in the ratio per 1,000 of admissions into hospital was from 191·2 in 1870–71, to 208·5 in 1877–78, when short service began to have serious effect in India. The lock hospital system and the restrictive regulations were in force during that period. But from 1877–78 to 1887–88, the lock hospital system being still in force during the period, the ratio per 1,000 of admissions had risen from 208·5 to 361·2, a very much higher rise than in the period 1870–71 to 1877–78, viz., a rise of 152·7 in the latter period, against 17·3 in the former period. I do not forget that some lock hospitals were closed in 1885 (they were re-opened in 1887), and that this had some effect on the rise in the venereal ratio, but it cannot account for the total rise in the period from 1877–78 to 1887-88. This was due to the increased youth of the army, from 33 per cent. in the former year to 52 per cent. under 25 years of age in the latter year (*see* Table B.). Since 1887–88, restrictive regulations in conformity with the policy enunciated in the resolution of the House of Commons, have been abolished (*see* Appendix E.), and the rise has been from 361·2 per mille in 1887–88 to 522·3 in 1895–96.

10. Taking the various causes in operation, the only deduction which can be drawn is that "short service" has given us an increasing ratio of "constantly sick."

11. The extract from the annual report of the Sanitary Commissioner with the Government of India for the year 1895 will be of interest to the Commission (Appendix F.).

12. I submit this memorandum and the statistical appendices, which have been very carefully compiled, to the Commission.

13. I venture to affirm that, in the face of these statistics, only one conclusion can be arrived at, viz., that under the short service system India does not get an army which is physically as healthy and as capable of endurance as an army which would contain a larger proportion of men of somewhat longer service.

EDWIN H. H. COLLEN,
Major-General,
Member of the Council
of the Governor-General.

Calcutta, the 1st March 1897.

A.

STATEMENT showing the Death, Invaliding, and Constantly-sick ratios of the British Army in India, year by year, from 1860.

Year.	Death Ratio.	Invaliding Ration.	Constantly Sick Ratio.
1860	32·49	*	71 35
1861	35·07	*	74·89
1862	23·81	28·17	72·59
1863	21·36	34·39	62·63
1864	19·80	37·51	59·31
1865	26·17	40·87	58·91
1866	19·03	48·79	58·42
1867	26·87	48·26	57·44
1868	19·48	45·04	56·40
1869	35·63	47·05	58·67
1870	20·75	52·02	58·36
1871	17·53	43·62	57·93
1872	24·21	43·21	56·16
1873	15·30	44·58	55·27
1874	13·58	43·78	57·48
1875	17·48	40·25	56·75
1876	15·32	40·50	56·64
1877	12·71	42·25	55·82
1878	21·46	44·98	67·66
1879	34·55	48·69	75·00
1880	28·32	26·31	72·46
1881	16·86	38·36	69·73
1882	12·07	33·08	65·23
1883	10·88	32·66	62·85
1884	12·56	31·74	66·69
1885	14·55	22·81	70·69
1886	15·18	21·10	71·72
1887	14·20	22·57	70·28
1888	14·84	22·71	71·23
1889	16·60	25·92	86·18
1890	13·84	25·29	86·98
1891	15·89	26·78	79·11
1892	17·07	24·37	83·61
1893	12·61	25·25	86·54
1894	16·07	25·45	91·55
1895	15·26	23·41	93·68

* Not available.

The figures from 1871 onwards have been given from the Sanitary Commissioner's reports.

The figures before 1871 have been taken from the Army Medical Department reports.

Whether, as here, the ratios be derived from two different series,* or be all (1860–95) taken from the Army Medical Department reports, the general results are the same. In the early years "invaliding" was rising, while "constantly-sick" was falling. But from 1878 onwards there has been a rise in the constantly-sick rate, and from 1880 the invaliding ratios have been lower than before.

The rise in the constantly-sick ratio since 1877 is probably due to the increase of enteric fever and venereal disease among the youthful fresh arrivals under the short service system; those being diseases which keep men comparatively long in hospital. In 1895 the average stay in hospital of a case of enteric fever was 52 days, and of a case of venereal disease 31 days.

* For various reasons, such as the exclusion of men on field service from the Army Medical Department figures, the ratios of the two series for the same year do not usually exactly agree.

B.

CHANGE of PERSONNEL, YOUTHFULNESS, RECENT ARRIVAL, and MARRIAGE, in relation to VENEREAL DISEASE and ENTERIC FEVER.

Year.	Arrived in India.* Men.	Arrived in India.* Women.	Year.	Men. Per Cent. of Strength. Age. Under 25 Years.	Length of Residence. Under 5 Years.	Married.†	Strength.	Ratio per 1,000. Admissions. All Causes.	Venereal Diseases.	Enteric Fever.	Ratio per Cent. of Total Admissions. Venereal Diseases.	Enteric Fever.
1867–68	9,461	939	1867	—	—	—	—	—	—	—	—	—
1868–69	8,292	853	1868	—	—	—	—	—	—	—	—	—
1869–70	10,227	996	1869	—	—	—	—	—	—	—	—	—
1870–71	8,805	826	1870	—	—	—	54,578	1,645·4	191·2	3·1	11·62	·19
1871–72	9,134	920	1871	40	—	11·19	56,806	1,449·6	196·8	3·6	13·58	·25
1872–73	8,271	809	1872	39	—	11·32	58,870	1,497·0	179·0	3·8	11·96	·25
1873–74	8,680	816	1873	39	—	11·26	58,769	1,328·1	166·7	3·6	12·55	·27
1874–75	7,840	673	1874	38	—	11·10	59,308	1,357·7	192·7	4·1	14·20	·30
1875–76	7,568	742	1875	36	—	10·80	58,409	1,337·8	205·1	2·8	15·33	·21
1876–77	8,170	591	1876	33	—	10·37	57,858	1,361·5	189·9	4·6	13·95	·34
1877–78	9,113	482	1877	33	56	9·70	57,260	1,257·3	208·5	4·1	16·59	·32
1878–79	13,113	575	1878	35	60	7·59	56,475	1,651·3	271·3	8·5	16·43	·51
1879–80	13,342	612	1879	39	61	6·63	59,082	1,871·2	234·8	8·0	12·55	·43
1880–81	13,165	664	1880	41	65	6·36	59,717	1,754·2	249·7	7·9	14·23	·45
1881–82	9,895	349	1881	43	70	5·94	58,728	1,606·6	260·5	5·6	16·23	·35
1882–83	9,748	325	1882	41	72	5·43	57,269	1,444·9	265·2	6·2	18·35	·43
1883–84	12,525	433	1883	41	75	5·20	55,525	1,335·7	270·3	7·7	20·23	·58
1884–85	11,822	393	1884	45	75	5·05	54,996	1,513·4	293·9	11·7	19·42	·77
1885–86	17,766	508	1885	48	73	4·23	56,967	1,532·7	342·7	11·2	22·36	·73
1886–87	11,645	372	1886	52	75	3·90	61,015	1,513·9	389·5	18·1	25·73	1·20
1887–88	11,729	459	1887	52	73	3·84	63,515	1,369·7	361·2	12·7	26·37	·93
1888–89	12,407	506	1888	50	76	3·65	68,887	1,381·7	370·6	13·6	26·82	·99
1889–90	12,270	532	1889	49	78	3·60	69,266	1,498·0	481·5	22·9	32·14	1·53
1890–91	14,046	542	1890	50	80	3·70	67,823	1,520·2	503·5	18·5	33·12	1·22
1891–92	14,729	510	1891	51	79	3·36	67,930	1,379·1	400·7	20·4	29·06	1·48
1892–93	15,894	540	1892	51	80	3·29	68,137	1,517·3	409·0	22·1	27·01	1·46
1893–94	15,090	482	1893	53	79	3·29	70,091	1,414·9	466·0	20·0	32·94	1·41
1894–95	15,957	517	1894	54	81	‡	71,082	1,508·0	511·4	20·9	33·91	1·38
1895–96	14,346	654	1895	55	83	—	71,031	1,461·8	522·3	26·3	35·73	1·80

* In ordinary years the departures plus the deaths nearly balance the arrivals.

† On the 1st May of each year.

‡ Return abolished.

C.

STATEMENT showing the RATIOS, by AGE and SERVICE, of Strengths per Cent. of Total, Invalids per Cent. of Total and per Thousand of Strength, Year by Year, as well as for the whole Period from 1877 to 1885.

Year.		Age.							Service.				
		Under 20 Years.	20 to 24 Years.	25 to 29 Years.	30 to 34 Years.	35 to 39 Years.	40 and upwards.	Total.	Under 2 Years.	2 to 5 Years.	5 to 10 Years.	10 and upwards.	Total.
1877	Strength per cent.	2	31	35	16	13	3	100	25	31	34	10	100
	Invalid „	—	16	27	15	26	17	100	18	35	29	19	100
	„ per thousand	7	21	33	40	87	228	42	30	37	49	82	42
1878	Strength per cent.	3	33	35	15	11	3	100	29	31	30	10	100
	Invalid „	1	19	27	14	23	16	100	15	38	27	20	100
	„ per thousand	14	27	34	42	94	227	45	24	46	51	88	45
1879	Strength per cent.	4	35	33	16	9	3	100	32	29	28	11	100
	Invalid „	1	23	29	16	19	12	100	17	43	20	20	100
	„ per thousand	9	30	41	47	90	192	49	24	52	46	85	49
1880	Strength per cent.	3	38	34	16	7	2	100	33	32	26	9	100
	Invalid „	2	34	30	16	12	6	100	31	37	19	13	100
	„ per thousand	23	25	25	28	48	94	26	26	26	28	43	26
1881	Strength per cent.	2	40	35	15	6	1	100	39	32	21	9	100
	Invalid „	1	32	35	15	12	5	100	23	48	18	11	100
	„ per thousand	22	31	38	38	75	144	38	23	50	45	48	38
1882	Strength per cent.	3	37	36	15	7	1	100	33	39	21	7	100
	Invalid „	1	30	35	18	12	3	100	17	57	14	11	100
	„ per thousand	13	27	32	39	54	69	33	17	42	30	51	33
1883	Strength per cent.	3	39	35	16	6	1	100	32	42	19	6	100
	Invalid „	1	35	32	16	12	3	100	19	58	11	12	100
	„ per thousand	18	30	30	33	64	75	33	19	40	28	64	33
1884	Strength per cent.	3	42	34	14	6	2	100	36	39	19	6	100
	Invalid „	1	37	29	14	13	5	100	24	50	13	12	100
	„ per thousand	15	29	28	33	74	89	32	22	35	36	72	32
1885	Strength per cent.	4	44	34	12	5	2	100	37	36	21	5	100
	Invalid „	1	41	34	12	8	4	100	23	55	14	8	100
	„ per thousand	8	21	23	23	36	50	23	14	28	24	35	23
1877–85	Strength per cent.	3	38	35	15	8	2	100	33	35	25	8	100
	Invalid „	1	28	31	15	16	9	100	20	46	19	15	100
	„ per thousand	14	27	31	36	73	151	36	22	39	39	66	36

The figures are only available for 1877.

Period 1877–85.

AGE.—*Strength.*—41 per cent. of the strength of the army of India under 25 years of age, the maximum being 48 per cent. in 1885, and the minimum 33 per cent. in 1877.

Invaliding.—29 per cent. of the invaliding under 25 years of age, the maximum being 42 per cent. in 1885, and the minimum 16 per cent. 1877.

Invaliding. — The highest ratio of invaliding per thousand of strength was for the age period "40 and upwards," namely, 151 per thousand. To that height the ratio gradually rose in successive age periods from 14 per thousand in "under 20." The same progression is observed in the individual years of the period.

INDIAN RESIDENCE.—*Strength.* — 68 per cent. of the strength, under five years' residence in India, the maximum being 75 per cent. in 1884, and the minimum 56 per cent. in 1877.

Invaliding.—66 per cent. of the invaliding under five years' residence in India, the maximum being 78 per cent. in 1885, and the minimum 53 per cent. in 1877 and 1878.

Invaliding. — The highest ratio of invaliding to strength per thousand, namely, 66 per thousand, was in the period "10 years and upwards." The same is the case in all the individual years except 1881, in which "2–5" had the highest ratio. In four years the period "2–5" came second, and in four years the period "5–10."

The ratio per thousand of total invaliding to the total average strength of the army of India was 36, the maximum being 49 in 1879, and the minimum 23 in 1885.

Summary.—41 per cent. of the strength and 29 per cent. of the invaliding under 25 years of age; 68 per cent. of the strength and 66 per cent. of the invaliding under five years' Indian residence.

D.

STATEMENT showing the RATIOS, by AGE and SERVICE, of Strengths per Cent. of Total, Invalids per Cent. of Total, and per Thousand of Strength, Year by Year, as well as for the whole Period from 1886 to 1895.

Year.		Age.							Service in India.				
		Below 20 Years.	20 to 24 Years.	25 to 29 Years.	30 to 34 Years.	35 to 39 Years.	40 and upwards.	Total.	Under 2 Years.	2 and under 5 Years.	5 and under 10 Years.	10 and upwards.	Total.
1886	Strength per cent. of total	5	47	31	11	5	1	100	39	36	21	4	100
	Invalids „ -	2	42	33	11	9	3	100	24	50	17	8	100
	„ per thousand of the strength.	7	19	22	22	36	55	21	13	24	25	44	21
1887	Strength per cent. of total	5	47	30	11	5	1	100	35	37	23	4	100
	Invalids „ -	1	48	31	10	7	2	100	25	53	16	6	100
	„ per thousand of the strength.	6	23	23	21	30	37	23	16	26	24	32	23
1888	Strength per cent. of total	3	47	34	10	4	1	100	32	43	21	3	100
	Invalids „ -	1	46	35	11	5	2	100	29	52	15	4	100
	„ per thousand of the strength.	5	22	23	24	24	39	23	20	23	25	29	23
1889	Strength per cent. of total	3	47	35	11	4	1	100	33	46	18	4	100
	Invalids „ -	1	49	37	8	3	2	100	29	52	16	3	100
	„ per thousand of the strength.	12	28	28	21	24	45	26	24	30	24	17	26
1890	Strength per cent. of total	3	47	37	9	3	1	100	32	48	17	3	100
	Invalids „ -	1	52	36	7	3	1	100	30	52	16	3	100
	„ per thousand of the strength.	11	29	25	21	27	28	25	25	28	24	20	25
1891	Strength per cent. of total	3	48	37	9	3	1	100	32	47	18	3	100
	Invalids „ -	2	52	35	7	2	1	100	30	47	21	2	100
	„ per thousand of the strength.	18	30	26	23	26	40	27	26	28	32	19	27
1892	Strength per cent. of total	3	48	37	8	2	1	100	34	45	17	3	100
	Invalids „ -	1	52	34	9	3	1	100	35	43	20	3	100
	„ per thousand of the strength.	12	26	22	27	31	30	24	25	23	28	24	24
1893	Strength per cent. of total	3	50	36	8	3	1	100	36	42	18	3	100
	Invalids „ -	1	56	33	6	3	1	100	35	45	17	3	100
	„ per thousand of the strength.	9	29	23	17	30	42	25	24	27	23	24	25
1894	Strength per cent. of total	3	51	35	8	2	1	100	34	47	16	3	100
	Invalids „ -	2	58	30	7	3	1	100	37	44	16	2	100
	„ per thousand of the strength.	17	29	22	23	31	22	25	28	24	25	19	25
1895	Strength per cent. of total	2	53	35	7	2	1	100	38	46	14	3	100
	Invalids „ -	2	64	27	4	2	1	100	36	49	12	2	100
	„ per thousand of the strength.	14	29	19	15	29	30	25	24	26	21	22	25
1886 to 1895	Strength per cent. of total	3	48	35	9	3	1	100	34	44	18	3	100
	Invalids „ -	1	52	33	8	4	1	100	31	49	17	3	100
	„ per thousand of the strength.	10	27	23	21	29	38	24	22	27	22	25	24

This statement shows invaliding by age and by length of residence in India for 10 years.

Under each year are shown—

(1.) The percentage distribution of the strength of the army.

(2.) The percentage distribution of the invaliding of the army.

(3.) The ratio of invaliding of each age or service period per thousand of the strength at each age or service period.

Period 1886-95.

AGE.—*Strength.*—51 per cent. of the army under 25 years of age; the maximum being 55 per cent. in 1895, and the minimum 50 per cent. in 1888, 1889, and 1890.

Invaliding.—53 per cent. of the total invaliding occurred under 25 years of age, the maximum being 66 per cent. in 1895, and the minimum 44 per cent. in 1886.

Invaliding.—The ratio of invaliding per thousand of strength was highest in the men of over 40 years of age; and this was the case also in eight out of the ten individual years.

SERVICE.—*Strength.*—78 per cent. of the army under five years' service in India (34 + 44 = 78); the maximum being 84 per cent. in 1895, and the minimum 72 per cent. in 1887.

Invaliding.—80 per cent. of the total invaliding occurred under five years' Indian service; the maximum being 85 per cent. in 1895, and the minimum 74 per cent. in 1886.

Invaliding.—The ratio of invaliding per thousand of strength was highest between two and five years' service; but this was the case in only four of the individual years. The period above 10 years was highest in three of the years; the period 5–10 in two years; and the period under two in one year.

The ratio of total invaliding per thousand of the total strength of the army was 24; the maximum having been 27 in 1891 and the minimum 21 in 1886.

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51 per cent. of the army under 25 years of age yielded 53 per cent. of the total invaliding; and 78 per cent. of the army under five years' Indian service yielded 80 per cent. of the total invaliding.

The increased youthfulness of the army has been accompanied by an increase in invaliding from venereal disease:—

1886	2
1887	2
1888	2
1889	2
1890	3
1891	4
1892	3
1893	4
1894	4
1895	5

and also by an increase in the percentage of invaliding from venereal disease to total invaliding :—

1886	7
1887	8
1888	7
1889	8
1890	13
1891	15
1892	13
1893	16
1894	17
1895	21

Again in the ten years the maximum period of venereal invaliding was 25–29 in six years, below that in three years, and only in one year above it.

Looking at the two statements C and D, the following comparison may be made :—

Total invaliding ratio per thousand of strength—

1877–85	36
1886–95	24

——	Percentage of Strength under 25 Years of Age.	Percentage of Invaliding under 25 Years of Age.
1877–85	41	29
1886–95	51	53

——	Percentage of Strength under Five Years' Residence.	Percentage of Invaliding under Five Years' Residence.
1877–85	68	66
1886–95	78	80

Invaliding per thousand of strength at the different Ages.

——	Under 20.	20 to 24.	25 to 29.	30 to 34.	35 to 39.	40 and upwards.
1877–85	14	27	31	36	73	151
1886–95	10	27	23	21	29	38

Invaliding per thousand of strength at different periods of Indian residence.

——	Under 2 Years.	2 to 5.	5 to 10.	10 and upwards.
1877–85	22	39	39	66
1886–95	22	27	22	25

The increase in the percentage of men and of invalids under 25 years of age and under five years of Indian residence has been accompanied by a decrease in the total invaliding ratio, and by a fall, or absence of rise, in the invaliding ratio per thousand of strength at all ages and periods of residence. The diminished liability of the man who has been some time in the country, may perhaps be explained by the fact that an old man or a man who has been long in India must have re-engaged; and he cannot have done so without satisfying not only himself, but medical officers, that he was suitable for further service in India. Somewhat younger men often avoid invaliding, no doubt, simply by the fact that their time of service has expired; and this is probably one of the most important factors in the diminution of the invaliding ratio.

E.

Memorandum.

For many years at nearly all military stations of any importance, "lock hospitals" were established for the treatment of women suffering from venereal diseases. Such women were dealt with under the provisions of the rules framed under the following Acts :—

Bengal Act XXII. of 1864 (reproduced in Act III. of 1880).

Bombay Act III. of 1867.

Madras Act I. of 1866.

Under these rules all prostitutes living in cantonments were registered and subject to medical examination. In many cases special quarters were allotted for them in regimental or cantonment bazars, and women evading the rules were subject to ejectment from cantonments.

2. On the 5th June 1888, however, the following Resolution was passed in the House of Commons :—

"Resolved, that in the opinion of this House, any mere suspension of measures for the compulsory examination of women, and for licensing and regulating prostitution in India, is insufficient, and the legislation which enjoins, authorises, or permits such measures, ought to be repealed."

3. In compliance with this Resolution, the Governor-General in Council issued orders, dated 26th July 1888, with a view of putting an end to any practices which involved the licensing or registration of prostitutes, or the compulsory examination of women in cantonments.

4. In 1889 the new Cantonments Act (XIII. of 1889) was passed, by which the Governor-General in Council was authorised to make rules to provide for "the "prevention and spread of infectious and contagious "disorders within a cantonment, and the appointment "and regulation of hospitals or other places within or "without a cantonment for the reception and treatment "of persons suffering from any disease." And on the 4th July 1890 the Governor-General in Council duly made and published certain rules under the Act, providing amongst other things for the creation of such general hospitals as might be necessary in cantonments for the reception and treatment of persons suffering from any diseases, including infectious or contagious diseases, within the cantonment. These hospitals were designated "Cantonment Hospitals," and certain rules were laid down for their management, &c.

5. In 1891–92, as it was thought the cantonment hospitals were conducted too much on the lines of the old lock hospitals, cantonment general hospitals were established at various stations; but in 1894 the Commander-in-Chief pointed out that the results of the establishment of cantonment and cantonment general hospitals had not been satisfactory, and certain hospitals were closed. The orders which the Government of India issued from time to time had not been wholly carried out in some cantonments; and in February 1895 an order was passed by the Governor-General in Council "providing that no rule made under the "Cantonments Act of 1889 shall contain any regulation "enjoining or permitting any compulsory or periodical "examination of any woman by medical officers or "others for the purpose of ascertaining whether she "is, or is not, suffering from any venereal disease, or "is, or is not, fit for prostitution." Similarly it was provided "that no rule shall contain any regulation "for the licensing or special registration of prostitutes "or for giving legal sanction to the practice of prostitution in any cantonment." This necessitated a revision of the 1890 cantonment rules, and a fresh set of rules was, therefore, drawn up and published for general information in Government General Orders.

6. About the same time it was decided, after much discussion, to close the cantonment general hospitals at a large number of stations; the Native population of cantonments were to resort to civil dispensaries, and in some cases station followers' hospitals were to be provided; in others, the cantonment hospitals were to be converted into out-door dispensaries.

7. Measures have been taken to prevent "solicitation" in cantonments with a view to the suppression of loitering and importuning in the vicinity of barracks, and rules for the suppression of such practices have been incorporated in the new Cantonment Rules.

F.

Extract from the Annual Report of the Sanitary Commissioner with the Government of India, 1895 (issued December 1896).

4. It has been stated that the mortality per 1,000 of European soldiers in India was for the period 1800–30, 84·60; for the period 1830–56, 56·70; for the period 1869–78, 19·30; for the period 1879–88, 16·02.* To this it may be added that the ratio for the period 1889–94 was 15·91.

In paragraph 33 there is a table showing for certain diseases for India the mortality for three periods in-

* Past and present.

cluded in 1870–95; 1870 being the earliest year for which the statistics of India, as a whole, are available. But, as it is of interest to have also older statistics for comparison, the following table has been prepared for the Bengal Presidency from the earliest available year, 1858, up to 1894, the last year in which the Bengal Presidency existed as a separate command.

The year 1858 being still subject to the disturbing influence of the mutiny, it has been kept separate. The next period was chosen because the late Dr. Bryden stated that from 1858–63 no new regiment was added to the garrison of India. In the year 1870 the short service system was inaugurated in England, and is presumed to have begun to affect India seriously from 1877.

In this office there is no record of enteric fever before 1870, but in the "Army Medical Blue Book" it appears from 1861. The ratios given in the second and third periods in the following table have been derived from the blue books; but no deduction has been made from the other fevers, as it could not be discovered from which the deduction should be made.

The high constantly-sick rate in the fifth period is probably due to the causes mentioned in the beginning of paragraph 3.

Leaving aside the cases in which increase or decrease has been fluctuating, it may be said that in the fifth period there was increased admission from enteric fever, ague, alcoholism, and venereal diseases; increased death from enteric fever and respiratory diseases; increased invaliding from mental affections, diseases of the organs of special sense, and injuries; and diminished admission, death, and invaliding ratios under all the remaining and most numerous headings.

The increase of enteric fever and venereal disease is evidently connected with the short service system; and further statistics supporting this view will be found in Table XV.–B. The increase in ague may be due to exposure on active service, and to the addition to the empire of large malarious regions on the north-western and eastern frontiers. The increase in mortality from respiratory diseases is pretty certainly due to the epidemic influenza, which has not left the country since it first appeared in 1890. The decrease in cholera, scurvy, and some other diseases may be put down to improved hygiene. The decrease in remittent and in simple continued fever is probably mostly due to change in diagnosis, and transfer to the head of enteric fever. Hepatitis was shown by Dr. Bryden to be a disease of degeneration, a disease of the old soldier. Its diminution appears, therefore, to be a good result of the short service system.

EUROPEAN TROOPS.

Bengal Presidency.

Period.	1858.	1859–63.	1864–69.	1870–76.	1877–94.
Constantly-sick rate per 1,000.	112·6	81·2	57·9	58·4	76·4

Diseases.	Admission rate per 1,000.				
	1858.	1859–63.	1864–69.	1870–76.	1877–94
Cholera	16·9	19·7	9·8	4·3	3·8
Small-pox	7·2	2·5	1·9	·7	·8
Enteric fever	—	·2	·9	3·7	16·4
Intermittent fever	605·2	455·6	393·3	397·3	468·1
Remittent fever	167·6	85·4	39·5	29·1	13·8
Simple continued fever	605·3	215·0	106·5	147·7	77·0
Apoplexy and heat-stroke.	43·0	4·5	5·3	3·4	4·0
Alcoholism	6·1	6·0	4·4	3·3	7·5
Respiratory diseases	100·5	76·7	59·0	60·5	47·7
Phthisis pulmonalis	8·2	6·8	8·3	8·9	4·7
Dysentery	202·7	74·0	39·5	30·8	29·1
Diarrhœa	279·0	135·4	93·7	59·8	48·2
Hepatitis	67·1	63·6	56·3	50·6	25·2
Spleen diseases	—	—	6·6	7·4	4·5
Scurvy	—	—	1·1	·5	1·0
Venereal diseases	261·5	335·1	213·3	196·5	357·1
All causes	3,111·3	2,039·6	1,565·5	1,478·9	1,562·7

Diseases.	Death-rate per 1,000.				
	1858.	1859–63.	1864–69.	1870–76.	1877–91.
Cholera	9·16	11·64	6·46	2·88	2·69
Small-pox	1·71	·42	·25	·13	·08
Enteric fever	—	·12	·45	1·69	4·72
Intermittent fever	1·85	·72	·66	·09	·17
Remittent fever	5·09	1·64	1·31	1·03	·84
Simple continued fever	11·63	2·09	1·43	·47	·07
Apoplexy and heat-stroke.	17·77	2·17	2·48	1·43	1·24
Alcoholism	·64	·58	·42	·15	·17
Respiratory diseases	2·42	1·02	·94	1·10	1·19
Phthisis pulmonalis	2·19	1·86	1·57	1·26	·82
Dysentery	27·14	5·11	2·05	1·25	·91
Diarrhœa	6·53	1·40	·47	·11	·15
Hepatitis	5·85	3·64	3·35	2·20	1·30
Spleen diseases	—	—	·03	·05	·0
Scurvy	—	—	·04	·02	·01
All causes	111·10	36·90	26·57	18·70	18·06

Diseases.	Invaliding Rate per 1,000.				
	1858.	1859–63.	1864–69.	1870–76.	1877–94.
Dysentery	5·67*	1·92	1·77	1·43	1·01
Fevers	3·22	1·90	2·54	1·94	1·71
Venereal diseases	1·01	1·48	3·04	1·94	1·72
Debility	2·01	3·13	7·65	7·22	5·41
Rheumatism	4·36	5·33	3·94	2·46	1·19
Phthisis pulmonalis	1·33	1·52	3·45	3·68	2·00
Mental diseases	·55	·71	·83	1·15	1·21
Epilepsy	·34	·56	·79	·58	·51
Other nervous diseases	·82	·90	1·87	·82	·62
Eye, ear, and nose diseases.	1·51	2·18	1·08	·97	1·34
Palpitation	·55	·41	·25	2·25	1·43
Other circulatory diseases.	1·42	1·54	3·79	3·30	1·97
Respiratory diseases	1·60	1·29	1·57	1·51	·67
Hepatitis and hepatic abscess.	4·66	4·70	6·38	6·39	2·28
Locomotive diseases	·34	·38	·67	·62	·67
Injuries†	5·96	·96	·87	·90	1·20
All causes	43·59	32·52	46·04	41·31	27·85

* Including diarrhœa.
† Including apoplexy up to 1870.

The total fever mortalities of the four forms of fever given in the table are, for the periods given, respectively, 18·57, 4·57, 3·85, 3·28, and 5·80. The total fever mortality has, therefore, risen since the Indian army came under the short service system. But, nevertheless, the total mortality from all causes has been reduced.

In the period 1859–63 the maximum death-rate was 44·77, the minimum 22·49, and the ratios of two of the years were above the period ratio; in 1864–69 the maximum death-rate was 42·89, the minimum 20·11, and two of the years had ratios above the period ratio; in 1870–76 the maximum death-rate was 27·45, the minimum 14·62, and two of the years had ratios above the period ratio; in 1877–94 the maximum death-rate was 44·15, the minimum 11·21, and five of the years had ratios above the period ratio. Very high ratios were, therefore, exceptional in all the periods. The two highest ratios in the last period were those of 1879 and 1880, the years of the Afghan war. The death-rate was at its lowest from 1882 to 1885, cholera, fevers, respiratory diseases, and bowel complaints all giving low mortalities. Since 1885 the death-rates have been higher, the maximum 19·81 and the minimum 14·35. The increase is probably connected with the conquest and occupation of fresh territories on the eastern and north-western frontiers. Some of the years with high ratios, such as 1891, 1892, and 1894, were also distinguished by prevalence of cholera. It is

usual for the Bengal-Punjab death-rate to be higher than that of Madras or Bombay.

* * * *

33. The statistics for 1895 of the chief diseases having been examined, it will be interesting now to compare the mortality of the past five years from some of the principal causes with that of earlier periods:—

Died per 1,000 of strength.

	India.		
	1891–95.	1881–90.	1870–79.
Enteric fever	5·81	3·81	2·03
Cholera	1·38	1·46	3·22
Hepatitis	1·18	1·33	2·19
Dysentery	·65	·80	1·48
Phthisis pulmonalis	·58	·74	1·18
Respiratory diseases	·75	·59	·97
Remittent fever	·53	·52	1·28
Diarrhœa	·06	·09	·12
Total from all causes	15·37	14·24	19·34

* Past and present mortality.

The increase in enteric fever and the decrease in hepatitis are probably due to the influence of the short service system, as is explained in paragraph 4. The diminution of mortality from cholera, dysentery, and diarrhœa may, perhaps, be put down to improved hygiene. The rise in the total death-rate is probably due to the number of military expeditions, and to three out of the five years having been bad cholera years in India. If the period had been ten years the rise would in all likelihood have been obliterated, and perhaps changed into a fall.

No. 2.

To the Right Hon. LORD WELBY, G.C.B., Chairman of the Royal Commission on Indian Expenditure.

MY LORD, Calcutta, March 1, 1897.

IN continuation of my letter No. 1, dated the 1st March 1897, I beg to submit Memorandum No. II.

2. If reference be made to Qq. 6377 and 6685 (page 421, Volume I.), it will be seen that I was asked whether the strength of the British Army in India was not regulated entirely by the Government of India. I replied as follows:—

"I think it is regulated by the Government of India, in so far that if they showed good grounds for an increase, for example, Her Majesty's Government would probably endeavour to meet their wishes. On the other hand, if the Government of India were now to propose a large reduction, it is quite possible that Her Majesty's Government at home would say: 'We cannot accept this'; they might overrule the Government of India in such a matter."

3. It was observed in Q. 6681, that it was entirely in the power of the Government of India to reduce the military force of the country if they thought circumstances permitted. I replied:—

"I do not think that it can be said to rest with the Government of India. I should say that it is Her Majesty's Government which determines the strength."

I was not able to quote the references at the time, but said that I would endeavour to obtain them.

4. In the Memorandum which I now submit to the Commission, I give examples of reductions proposed by the Government of India in 1869 and 1882, which were not fully accepted by Her Majesty's Government. I think, therefore, my evidence was correct.

I have, &c.
(Signed) E. H. H. COLLEN.

II.

MEMORANDUM.

Reductions in 1869.

British cavalry.—The Government of India proposed the reduction* of four regiments, the seven remaining regiments being retained with an aggregate establishment of rank and file equal to eight regiments. The Home Government only sanctioned the reduction from 11 regiments to nine, for the reasons given in Despatch No. 36, dated 10th February 1870, and the reduction both in cavalry and infantry was carried out in a manner different* to that proposed by the Indian Government, as will be seen on reference to the correspondence attached to Despatch No. 133, dated 12th May 1870, from the Secretary of State.

British infantry.—The proposals of the Government of India involved the reduction† of seven regiments, *i.e.*, 52 regiments on the establishment to be reduced to 45. The reduction from 52 to 50 battalions was sanctioned by the Home Government.

Artillery.—A reduction‡ of two brigades of horse artillery and six batteries of that arm, and of two brigades of field artillery with eight batteries, or a total reduction of 14 batteries, was first proposed by the Government of India; but His Royal Highness the Duke of Cambridge having objected to the extent of the reductions and the manner in which it was proposed to carry them out, the Government of India subsequently proposed the reduction of one brigade and five batteries of horse artillery, and one brigade and three batteries of garrison artillery, or a reduction of eight batteries in all.§ This was agreed to by the Home Government, and carried out.

Reductions in 1882.

Proposed by Government of India, the saving estimated being about 20 lakhs a year.

British cavalry.—Establishment of eight instead of nine regiments and an increase of 65 sabres per regiment, giving a total strength of 4,160 sabres against 4,095, the then existing establishment.

British infantry.—An establishment of 46 instead of 50 battalions, the strength of each being increased from 820 to 920, rank and file.

Artillery. — Ten batteries Royal Horse Artillery, instead of 15.

Forty batteries of field artillery instead of 43; 4 heavy artillery, no change; 6 mountain artillery instead of 2, and 17 garrison batteries instead of 22, or a total of 77 batteries instead of 86.

The artillery reductions proposed were carried out, but Her Majesty's Government having decided against the adoption of the cavalry and infantry reductions, the Secretary of State was constrained to accept that decision, reserving, however, the right to again propose this reduction whenever opportunity might offer.

(Signed) E. H. H. COLLEN,
Major-General,
Member of the Council of the Governor-General.

Calcutta, 1st March 1897.

No. 3.

To the Right Hon. Lord WELBY, G.C.B., Chairman of the Royal Commission on Indian Expenditure.

Calcutta,
MY LORD, 17th March 1897.

IN continuation of my letter, No. 2, dated the 1st March 1897, I beg to submit Memorandum No. III., on Section I.—Financial Machinery.

I have, &c.
E. H. H. COLLEN.

III.

MEMORANDUM.

SECTION I.—FINANCIAL MACHINERY.

In my evidence I dwelt more especially upon the position of the Military Member of Council in his fulfilment, to a certain extent, of the functions of a war minister, in connexion with military finance, the

* Saving 175,000*l.* per annum.

* But the saving effected in military expenditure was to be equal to that desired by the Government of India. *Pro. A.*, August 1870, No. 238.
† Saving 122,220*l.* per annum.
‡ Saving Rs. 25,00,000.
§ In Despatch No. 349, dated 14th December 1870, to Secretary of State. In Despatch No. 75, dated 9th March 1871, from Secretary of State.

administration of the army departments, and the organisation, &c. of the army generally, rather than on his position as a member of the Government. I did not especially allude to his functions as a member of the Governor-General's Council.

13,518. 2. As pointed out by Lord Cromer, it would be a misapprehension of the position to assume that the Council of the Governor-General was composed of mere heads of departments, each interested in pushing forward his own views. The Military Member of Council is a member of the Government, and the Council is collectively responsible for the decisions that are given. Lord Cromer put it very clearly when he said that, as a Financial Member of Council, he was willing, on occasion, to admit that military or foreign 2909. policy might predominate over the financial policy. I cannot agree with Sir Auckland Colvin in his remark that members of Council do not take a general view of the effect of their administration. In my opinion they distinctly take a general view of the effect of their administration, and not only that, but of all the questions which come before them. The Commander-in-Chief and the Military Member of Council are often deeply interested in the civil, political, and financial problems which are placed before the Council for solution, and in those larger questions in which the policy directing the administration of the Public Works Department is involved.

Q. 2123. 3. As regards the question of military policy weakening the Finance Minister, I would venture to point out, as I did in my evidence, that there is no such thing as a "special military policy," or a military party of expenditure. An increase of the army and certain improvements were resolved upon by the Government generally in communication with Her Majesty's Government, and those measures were carried out. On the other hand there have been numerous instances in which, although the Council generally agreed that certain expenditure was essentially necessary, it was decided, and decided frequently on the motion of the Military Member of Council, that the expenditure must be postponed. Thus, it was decided that a reserve of 1,000 horses was necessary for the efficiency of the mounted branches of the army, but this expenditure was put off from year to year, because it was felt that the financial situation did not allow of our incurring it. To take an instance on the other side, when I arrived in India I was confronted with the question of the employment of senior officers of Royal Engineers in India. Those senior officers had been sent out by the War Office to make up the proper proportion of ranks, but the organisation of the Department of Military Works in India did not admit of their being brought in suddenly, as there were no vacancies. I felt that we were bound to take these senior officers, to employ them, and to pay them a fair rate of salary, and not merely their bare military pay. The Financial Member of Council, after a lengthened consultation with me, accepted this view of the case pending the re-organisation of the Royal Engineer service in India, which I had then to take in hand, and this conclusion was ratified by the Council. Again, some time before any official representation reached me, I was aware that there would in all probability be a scarcity owing to the want of rain. I immediately moved the Commander-in-Chief to stop the reliefs as far as possible, and his Excellency entirely supported me. In the same way I begged that a large demand for certain equipment for the British Army might be postponed, as I knew that in all probability the expenditure for next year would have to be restricted, while at the same time I addressed my own department requesting that they would take the greatest care that no proposals for fresh expenditure were countenanced, and that everything should be done in the direction of restricting expenditure. On the other hand, I have been engaged in considering a question which will undoubtedly lead to expenditure, intimately connected with the efficiency and organisation of the native army. I should not, of course, propose an expenditure of this kind unless financial exigencies permitted it; but when those exigencies do permit, I have no doubt that I shall receive the support of my financial colleague on a question of military policy. The Military Member of Council has to deal with all important questions affecting the army and its expenditure, and his duties are not merely confined to those in which financial questions are involved, although, as a matter of fact, nearly all important questions must have a financial aspect, and he is charged with seeing that this is thoroughly apprehended.

4. I have observed a tendency to attribute the cost of expeditions to what is called the efforts of the party of expenditure. It must be remembered what an enormous frontier is possessed by India, and how numerous the frontier tribes are which give trouble at various times. I think that if the reasons for all these expeditions are carefully examined, it will be found that they are never undertaken unless the Governor-General in Council in the Foreign Department requests the Military Department and the Commander-in-Chief to make proposals for carrying them out; and this could not be done unless the necessity for the measure had been discussed and decided in Council. I can speak from my own experience that the Government of India are exceedingly averse from undertaking any military expedition which can possibly be dispensed with. I maintain that the Finance Member's plea for Q. 13,564. not incurring a deficit would have entire support from the whole Council; that financial considerations are weighed by the whole Council; that the principle of endeavouring to balance expenditure and revenue is fully followed; and that the Governor-General does hold the balance in favour of economy.

5. A good deal has been said with reference to the relations of the Commander-in-Chief and the Military Member of Council. I have explained what these Q. 1162. relations are in my evidence, and I cannot admit that the Military Department has two representatives on the Viceroy's Council. The Commander-in-Chief is an Extraordinary Member of Council, and the Military Member of Council is an Ordinary Member. Nor can Q. 1860-61. I agree that the Military Department has two votes in Council. Of course when a proposition for reform or improvement is considered, or for reduction of expenditure, it may happen that the Commander-in-Chief and the Military Member of Council may be in accord. On the other hand, numerous instances might be Q. 3232. quoted where the Military Member of Council does exercise great financial check or control over proposals put forward by the Commander-in-Chief. It is not merely, as has been stated, that the Military Department "check" proposals. It is the business of that department to examine all proposals, and to show their effect, financial and otherwise. Frequently the Commander-in-Chief's views, which are not based specially on financial considerations, have been, and are, modified by the opinions expressed by the Military Member of Council. On various occasions Commanders-in-Chief have expressed a desire to be relieved of this control; they would, in fact, prefer to manage the military finances themselves. I altogether dissent from the idea Q. 13,588. that it would be possible to give the military authorities a certain sum and let them do the best they can. This might last for a year or two, but it would be very soon discovered that they would find sufficient reasons for desiring to exceed that sum. Unless you constantly reduce the strength of your army to counterbalance the increasing expenditure, it must be the case that, with the increase of the expense of war material and the necessity for improving the moral and material welfare of the soldier, British or native, the expenditure of the army must increase, although the desire of a war minister would be to keep that increase down as far as possible, consistent with the army being in a thoroughly efficient condition for the purposes for which it is kept up. As I have remarked before, the great point that the Military Member of Council has to look to is to see that the money is well spent, and that we have an efficient and economical army.

9. In my opinion the Military Member of Council should take up the larger questions under the great heads of army expenditure, and should endeavour to see whether reduction cannot be effected by improvement in administration. It must always be borne in mind that the largest portion of the military expenditure is practically fixed. In connexion with the system of military administration in India, the powers of the Commander-in-Chief, and his relations to the Military Member of Council, I would especially invite attention to the minute of the Marquess of Dufferin and Ava, written in 1888, which I attach to this memorandum. It will be remembered that the Indian Army Commission of 1879 proposed, for the following reasons, that the Commander-in-Chief should not have a seat in Council:—

"The position of the executive Commander-in-Chief as a Member of Council is, in the opinion of the majority, one without precedent in the organisation of any European government or army. It is contrary to one of the most essential and salutary principles of

sound administration; and the common instinct and experience of all administrations, whether representative or despotic, has everywhere rejected it. *Primâ facie*, therefore, the retention of so anomalous an arrangement could only be justified, in any well-considered re-organisation of the Indian army, by strong evidence of special advantages derived from it in this particular case. But the evidence of all Indian experience is, from the positive point of view, opposed to this anomaly, even more strongly than the accepted principles and practice of all European countries are opposed to it from the negative point of view. It has been found to weaken simultaneously the executive initiative of the military, and the financial control of the civil authority, by constantly confounding and confusing their respective spheres of independent activity. It renders practically impossible that continuous personal contact which in every well-organised system of military administration has been found so beneficial, between the supreme executive head of the whole army and the subordinate heads of its various branches and corps. Finally, between the Governor-General, the Commander-in-Chief, and the Military Member, whom it places in fundamentally false relations towards each other, there has been, under each successive administration, since the existence of this ill-advised arrangement, continual friction, or cause for friction."

On the other hand, Lord Dufferin, in his minute of 1888, agrees that the Commander-in-Chief should be in Council, but quite disapproves of the proposal that there should be only one Military Member of Council, viz., the Commander-in-Chief. If this were done, as he said, the revenues of the country would be at his mercy.

7. Another point to be considered is the absolute necessity of interesting the spending authorities of the army in economy. This is carried out to a large extent in India. I have always been of opinion, and have endeavoured to enforce my views, that the more you interest generals commanding and heads of departments in economical results, the better it is for the public service; and I am convinced that in the decentralisation of military business and finance, provided you have some one like the Military Member of Council to lead the way, and the more you can interest the Commander-in-Chief and lieutenant-generals commanding the forces in economy, the better it will be for the army and the State. Much has been done in India in this direction during the last 15 or 20 years, but I feel sure that more is still possible in this direction. My own opinion of the duty of the Military Member of Council in connexion with the army as an administrator, and apart from his other duties as a civil member of the Government of India, is that it is his duty to restrain military expenditure, and to do everything in his power to apply the sums granted in the most economical way, but that he is responsible for the efficiency of the army in the various services controlled by him, and that there may be occasions upon which he is bound to put forward, or support, a policy involving expenditure.

Q. 13,587.

8. In connexion with my own evidence given on the 18th February 1896, and that which has been given by my predecessor, Sir Henry Brackenbury, I wish to submit to the Commission the following statement:—

(1.) In all matters of the least importance the Finance Department always possessed complete control over the expenditure under the direction of the Military Department.

(2.) Strict regulations on this subject have been in force for many years.

(3.) In the general orders drawn up by me in 1888, when the abolition of the Presidential Army system was mooted, a complete, but concise, code of military finance was compiled by the Accountant-General, and attached to these orders. Certain decentralisation in financial matters was effected. These financial regulations were published, and now form the standing instructions. They recognise, in the most emphatic way, the complete control of the Finance Department.

(4.) It is the case that, prior to the rules introduced by Sir Henry Brackenbury, a certain latitude existed:—

(*a.*) The Finance Department gave a somewhat larger discretionary power to the Military Department.

(*b.*) The Military Member of Council delegated a larger power to the Secretary in the Military Department.

(*c.*) Similarly, the Secretary delegated certain minor powers to the Deputy Secretaries.

I was Secretary under Sir George Chesney. Under him I undoubtedly had power to sanction expenditure, but he was perfectly aware that I should never dream of disposing of any question of real importance without his approval. It merely relieved him of a great deal of work which the Secretary was competent to deal with. And the deputy secretaries never abused the powers, after all of a minor kind, with which I entrusted them.

(5.) Sir Henry Brackenbury issued rules which prevented any proposal whatever, involving an increase of 1 rupee in future estimates, being sent to the Finance Department without his orders in writing, or, if in the power of the Military Department, being sanctioned without his authority. He excepted such cases in the latter category which the Secretary might think it unnecessary to refer to the Member of Council. All powers were withdrawn from the deputy secretaries.

(6.) The Military Department had, as a rule, always reserved for consideration with the estimates of the coming year any considerable items of expenditure. But in the case of small items, the Finance and Military Departments had usually, if they accepted the proposal, accepted the expenditure as coming on the estimates of the coming year. Sir Henry Brackenbury decided that every item whatsoever should be held over for consideration with the estimates, *i.e.*, it was to be discussed, and if approved the item was to be considered again, when it would be decided whether the money could be found.

(7.) I proposed that all items under Rx. 500 should be considered and accepted or rejected on their merits. The sum total of these items, apart from any extraordinary expenditure, which, under the previous rules, would always have been dependent on money being available, does not ordinarily amount to Rx. 150,000 on an expenditure of Rx. 16,000,000. I objected to a number of small items being kept back, and believed that there was often a tendency to postpone a thorough consideration of them and to throw them in at the last minute, when the estimates were just closing, and no one had time to look into them. I consider the rule is good in principle, but bad in its over-wide application.

(8.) As to the changes introduced to secure fuller information, we have had for many years complete information of the progress of military expenditure during the year in the record of issues from civil treasuries to the Military Department and in the various statements furnished by the Accountant-General. The statements called for by Sir Henry Brackenbury refer to a small part of the military expenditure, but they are very useful, and conduce to the greater regularisation of financial business in the Military Department. I disapprove of over-centralisation, of withdrawing powers from the Secretary and the deputy secretaries, and I am of opinion that the military financial system as worked under the previous Military Members of Council, Sir Donald Stewart, General Wilson, and Sir George Chesney, with the gradual developments introduced under the latter, is sound, and that it is in force at the present time.

The rules introduced by Sir Henry Brackenbury have, however, improved the knowledge of the Military Member of Council in respect to the progress and prospects of military expenditure, and tend to the more efficient conduct of military business.

(Signed) E. H. H. Collen,
Major-General,
Member of the Council of the
Governor-General.

Calcutta, 17th March 1897.

Minute.

I have read the draft general order in the Military Department which has been drawn up to show the changes in administration and organisation consequent on the proposed withdrawal of the control of the Presidential Armies from the Governments of Madras and Bombay, and of the direct command of the Bengal Army from the Commander-in-Chief in India.

The draft order appears to me to comply with the instructions of Her Majesty's Government that it should be in full detail, as it seems to provide for all the contingencies which must follow on the change contemplated. It is also in harmony with the principles declared by the Government of India in the series of despatches submitted to Her Majesty's Government in

1881 and 1882, which dealt with the Report of the Committee on Army Organistion of 1879. The leading principle of those proposals was that the army administration should be so contrived as to permit decentralisation in such military business as was not of the first importance, while the supreme financial and administrative power should remain in the hands of the Governor-General in Council; and further, that the Commander-in-Chief in India should be placed in command of the whole army of India instead of his powers being confined chiefly to the control of the Bengal Army. In respect to the organisation of the Indian Army, it was desired to maintain, in the most complete form, the separation of the Bengal Army from the armies of Madras and Bombay, and to divide the Bengal Army into two parts, in accordance generally with the recruitment of that army in Hindustan and the Punjab.

I think my colleagues will agree with me that the draft general order has put these principles into practical shape.

In that portion of the Order which deals with finance, the Government of India in the Finance Department is shown to be the highest authority in India on all financial questions; and the present powers of the Military Department are stated. The Commander-in-Chief in India is drawn into closer financial relations with the Government by the provision made that he shall discuss the budget personally with the Member of Council in charge of the Military Department, and by the clause enabling him to consult the Accountant-General on financial questions before submitting proposals for expenditure to the Government of India. In order to diminish references to the Government on matters which are not specially important, or which do not involve financial considerations, the Commander-in-Chief in India is put *en rapport* with the heads of the Army Departments for the transaction of business affecting the troops; and in view of facilitating the disposal of this business, certain financial powers are given to His Excellency.

The Military Department, the office of the Government of India charged with the duty of laying before the Governor General in Council questions of military administration and finance, is shown in the draft order with practically the same strength and constitution as was proposed in the despatches to which I have referred; and the Commander-in-Chief in India is to be assisted by a powerful staff. I observe that the Surgeon-General, Her Majesty's Forces, has been transferred from the Government of India to His Excellency's Staff, and while I do not object to this—although it is so far a departure from the proposals already made by the Government—because I believe the business of this officer is more closely connected with the Commander-in-Chief than with the Government, the change is, I think, only permissible on the distinct understanding that this high medical officer is at the direct disposal of the Government of India, whenever we desire to consult him on questions affecting the medical service in India. I understand that any changes which have been made in the scheme, since it was put forward in 1881, will be brought specially to the notice of the Secretary of State in the forwarding despatch.

Each of the four armies of Madras, Bombay, Hindustan, and the Punjab is to be commanded by a Lieutenant-General Commanding assisted by a strong General Staff. The heads of the local army departments are apparently to act as the advisers and officers of the Lieutenant-General in such matters as come under their control, and the Lieutenant-Generals and the Controllers of Military Accounts are given certain financial powers. These powers are limited to the necessities of the case, but as these officers will have a very considerable influence on the economical administration of the departments and of the troops, we may hope that by a wise and intelligent interest in this matter great good may result to the public service.

It is not necessary for me to enter upon the details of the General Order which relate to the various departments, but it is desirable to bring to the notice of my colleagues that some enlargement of the powers of the Commander-in-Chief is proposed in harmony with the enhancement of His Excellency's financial responsibility.

The Commander-in-Chief in India will deal directly with a certain class of departmental business, but he will now also become Commander in reality, as well as in name, over the whole of the military forces of India, with the single exception of those forces which are, for political reasons, retained under the direction of the Government of India, and instead of commanding one army of 120,000 men, he will now command four armies aggregating 204,000 men. His Excellency will also be charged with all the important questions relating to the discipline, efficiency, equipment, training, education, and mobilisation of the whole Army of India, and, with the additional duties which will now be laid upon him, he will, it appears to me, have such constant and active occupation as could only be possible when combined with a certain freedom from the detailed and executive business of the Bengal Army.

In thus enlarging and exalting the powers of the Commander-in-Chief in India, care has, I think, been shown in the draft general order, to retain the supreme administrative and financial control in the hands of the Governor-General in Council. This appears to me perfectly compatible with the fullest recognition of the sphere of action of the Commander-in-Chief, and I may say at once that the maintenance of this administrative and financial control in the hands of the authority responsible for the whole military administration is to my mind an absolutely essential condition of government in India.

As this may be the last time on which I shall have occasion, as Viceroy and Governor-General of India, to deal with a military subject of such great importance to the welfare of India, I shall take the opportunity of stating my views on on this question of military administration. The form of military government which is in existence in India, is practically that which has always obtained, in principle, since the establishment of British power in this country. The details of the administration may have varied, but there has never been, so far as I am aware, any change in the application of the principle which affirms that the supreme power of Government must be responsible for the military administration, and the Commander of the Forces responsible to that power for the executive command of the army.

The Military Department of the Government of India is the ministerial agency through which the authority of the Governor-General in Council is administered. The department is in charge of a member of the Government who has no military command or executive military functions, and to him the Governor-General delegates powers to deal with, or submit to him, the military business which comes under the cognisance of the Government.

The system of military administration in India seems to me to be well adapted to the circumstances of the country. By it the supreme financial control is retained in the hands of the supreme authority; changes in the organisation of the army can only be undertaken after the proposals have been placed before the Governor-General in Council in all their bearings, both as regards the financial aspects of the question and the effect such changes may have on the army generally. The history of the past is invoked by the department which is concerned with the maintenance of the constitutional and traditional policy of the Government of India, while the purely military view of the matter under discussion is powerfully represented by the Commander-in-Chief both through the medium of his staff, and by his own presence and influence in the Council Chamber. Under such a system I believe there is neither danger of rash innovations being carried by a military chief who from absence from India, or other causes, may not be in sympathy with Indian circumstances and affairs, nor the slightest risk that the Army of India shall be passed in the race of military reforms and inventions.

My opinion is founded upon the experience which I have had during my tenure of the office of Governor-General, and so far from it being apparent to me that the bonds of financial control need to be relaxed, I should hope that the proposals put forward in the general order will result in strengthening the administrative and financial control of the Government of India, while allowing the military authorities, by a more decentralised arrangement than obtains at present, adequate power in all military business, and giving them a greater interest in economy, without the observance of which it will be impossible to maintain the army.

Proposals have, however, been made, as my colleagues are aware, to change the form of military government. It was proposed many years ago that a Minister of War should replace the Commander-in-Chief, and though they did not support this idea, the Army Organisation Commission of 1879 recommended that

the Commander-in-Chief in India should not have a seat in the Council of the Governor-General. Their reasons are stated at length in Chapter V. of their report, which deals with the military administration of India. I recognise the validity of their arguments when they speak of the great authority, power, and duties, possessed by, or assigned to, the Commander-in-Chief in India under the system they proposed, but I am unable to agree in the opinions expressed by that Commission of the disadvantages of the present arrangement, and the proposal was, I think, wisely passed by under the government of my predecessor. On the other hand, I am entirely opposed to the suggestion made in Lord Lytton's Minute of the 16th May 1880, on the report of the Commission, that there should be no military member of Council save the Commander-in-Chief, and that the whole business of military administration and government should be concentrated in the hands of the latter, assisted by a chief of the staff and a financial secretary.

This proposal appears to me to rest upon a misapprehension of the true priniciples of military administration. Under such an arrangement, the executive command of the army, the financial control, and the functions of the administration would be absolutely confused, and the Viceroy would be without any adviser save the representative of the army who would be more specially interested in pressing proposals involving expenditure, or changes in organisation. It is out of the question to suppose such perfection in human nature as would enable one man accurately to weigh military efficiency and financial considerations, to hold the balance between the traditions of the past and economy, and the innovations or expenditure desired; the whole weight of his enormous and uncontrolled authority would be thrown into that side of the scale which represented military power, and to use words which have been employed before against this proposition, the revenues of the country would be at his mercy.

The functions of admistration and of the executive command of the army must be distinct, and the Army Departments, from the operations of which a vast deal of the expenditure of the army proceeds, are rightly placed under the administrative authority. To transfer those departments to the Military Staff would be to burden that staff with duties for which they are untrained and unaccustomed, and would lead to their real and practical work of preparing the troops so as to be fit in all respects to take the field, being obscured and lost sight of. But such a proposal it would be impossible to carry out. No man could undertake the duties of the staff, connected with the army, and at the same time supervise the civil departments of the army. In no army, save one, do we find such a complication of duties attempted. In all the continental armies with which I am acquainted, a very marked line is drawn between the administration and the executive staff work.

It may be admitted, however, that at first sight some support is given to those who desire to see the administrative and financial control merged in the power of the executive military staff, by the spectacle afforded of the recent "re-organisation" of the War Office in England, under which the Commander-in-Chief is apparently vested with greater powers than he has hitherto possessed over the Commissariat, Transport, Ordnance, Military Works, and Remount Departments, and the whole War Office (including the Horse Guards) is now divided into the "Military Department" and the "Civil Department." So many changes and "re-organisations" of the War Office have taken place within the past 20 or 30 years, that this last modification can at present only be regarded as an experiment. This is the attitude with which the reorganisation has been received by the press, and from various sources, especially from the reports of the Select Committee of the House of Commons on the army estimates, there is information to show that the change has been rather nominal than real, and that the Military Chiefs are no more responsible for the final army estimates than they were before. But assuming that the change is of practical importance, it is quite evident that no analogy can be drawn between the circumstances of England and of India. In England, whatever may be the powers of the Commander-in-Chief, they are held "subject to the approval of the Secretary of State for "War and to his responsibility for the administration "of the Royal authority and prerogative in respect of "the Army." The Secretary of State for War is also responsible to Parliament and to the country for the army, and in Parliament we have a controlling force which is very jealous of any undue assumption by the military authorities of financial powers. In addition to this control there is the high official, known as the Financial Secretary, over the whole civil side of the War Office, who reviews every question involving expenditure, and is the adviser of the Secretary of State on all questions of army expenditure. It is unnecessary to point out to my colleagues how entirely different are the circumstances of government in India, and therefore how inapplicable to India is a system of military administration which is framed upon Parliamentary Government, where every transaction and every expenditure is subjected to constant inquiry and criticism.

The administration of the War Office has always been the object of attack to military writers and politicians. I do not stop to discuss whether its reputation is well or ill-founded, and I only express my personal opinion when I say that the decentralisation of military business and the delegation of defined powers to military commanders over portions of the military forces, under a plan similar to that we are now proposing for India, is the real reorganisation which should be achieved. But, however this may be, even if the circumstances of the Government of India permitted it, I think we are entitled to ask that before we are called upon to introduce the slightest change based upon the practice at home, in a single portion of the fabric of the Indian military system, we should be sure we are on safe ground, and that the experiment now being made in England has succeeded, under the rude trial of war, beyond the shadow of a doubt.

The present form of military administration in India, where every Military Department is worked by professional soldiers, has been tried during a century in every conceivable kind of campaign and expedition, and it has not been found wanting. It appears to me that when a force has to be launched on active service, very large powers are possessed by the Military Chiefs, and that the intervention of the Government of India is no more than is absolutely required. Undoubtedly many improvements have taken place and others may be necessary. The labours of the Mobilisation Committee have borne good fruit; correspondence has been lessened, and affairs are now conducted with smoothness and rapidity. In this connexion, I may mention that I learn, with much satisfaction, that the preparations for the Hazara Expedition have proceeded with great regularity and quickness, and without any friction. I have issued instructions that the heads of Army Departments are to be empowered to comply with the Commander-in-Chief's requisitions, and as illustrating my views in regard to the power which should be confided to the executive military authorities, I append to this Minute a copy of a letter I caused to be addressed to the Commander-in-Chief.

It will be seen, therefore, that I hold the strongest opinion that the form of the supreme Military administration in India should not be changed, but that opportunity should be taken to introduce improvements whenever this can be done without impairing the constitutional structure.

In conclusion, I desire to point out to my colleagues that these opinions are founded upon no mere theoretical considerations, but are based upon experience, for it has been my lot to overlook during my tenure of office considerable military operations and to enter upon military questions of great magnitude and importance.

No sooner had I arrived in India than we had to despatch a force to Suakin, and to assist the Imperial Government with large reinforcements of transport; then came the war preparations of 1885, and following immediately on the heels of the latter, the campaign in Burma of 1885-86-87; while the period of my Viceroyalty is closed by the expedition to Sikkim and the coming campaign in Hazara. I have, therefore, had a large experience of the working of the Military Administration during the preparation for, and conduct of, campaigns; and I do not hesitate to say that, although, as in all human systems, there are defects which may be remedied, the Indian Army and its Military Administration will bear comparison with any other army in the world. Many important changes have taken place within the army since 1885; the fighting material has been largely increased, regiments have been linked together, the reserve system has been introduced, the commands and staff of the army have been reorganised, various beneficial reforms have been carried into effect, and the defences of the Empire are

now, I trust, rapidly approaching a satisfactory completion. And lastly, I must mention the great measure of mobilisation, to which I gave my unqualified support from the first, under which it will be possible to put large forces rapidly into the field with less labour than was required a few years back to place on active service mere detachments of troops.

The change in administration and organisation by the abolition of the Presidential Army system, supported by me in 1885, and again in our despatch of May 1888, seems to me to be a complement of all the improvements which the army system in India has of late years undergone. When that has been carried out, as I hope it will be at no distant date, and when the mobilisation scheme has been brought into practical effect, then those who come after us will have but to perfect the military machinery, to assist in maintaining the splendid reputation of the Indian Army, to improve the conditions of military finance, and to preserve the form of military administration which is dealt with in the draft general order now before us.

I must express my sincere thanks to my honourable colleague, General Chesney, for the care and elaboration with which this important document has been prepared, while we are greatly indebted to his Excellency, the Commander-in-Chief, for the cordial advice and able assistance which he has given in this matter. This great reform which, when carried out, will, I believe, conduce to the highest efficiency of the Indian Army, is, as my colleagues are aware, in the largest way a product of the genius and labours of our honourable colleague, General Chesney. It is, I think, 20 years ago since he first presented a comprehensive scheme for the organisation of the Indian armies, similar in all essential particulars to that which is now dealt with in the general order. I congratulate him on seeing the result of his labours in so complete a shape. It is a matter also of congratulation to myself that I have been able, during my term of office, to support and introduce the measure proposed, and I trust that before I leave India it may be my pleasant duty to inform my colleagues that the sanction of Her Majesty's Government has been received to our recommendations.

DUFFERIN.

Simla, 1st October 1888.

No. 4.

To the Right Hon. LORD WELBY, G.C.B., Chairman of the Royal Commission on Indian Expenditure.

MY LORD, Calcutta, March 17, 1897.

IN continuation of my letter No. 3, dated the 17th March 1897, I beg to submit Memorandum No. IV., on Section II.—Progress of Expenditure.

I have, &c.

(Signed) EDWIN H. H. COLLEN.

IV.

MEMORANDUM.

SECTION II.—PROGRESS OF EXPENDITURE.

I should like to supplement the answers I made with regard to the recruiting system in India by saying that the recruits, when obtained by the district recruiting officers or by regiments do not necessarily go to the battalion at the regimental centre in ordinary times, but that on mobilisation the battalion at the centre remains there and collects and trains the recruits and reservists. With reference to question 5402, in respect to the cavalry, I may mention that in 1894–95 about 400 cavalry recruits were enlisted through recruiting officers, and in 1895–96 a larger number. With regard to questions 5407–08, British officers are not sent out to recruit for Native cavalry; (question 5420) the limit of training for a cavalry recruit is one year usually.

2. With respect to Doctor Bahadurji's evidence regarding the Medical Services, I gave the pay when on military duty of the officers doing regimental duty in the Indian Medical Service and Army Medical Staff; but since I gave evidence, the pay of the Army Medical Staff in India has been somewhat increased at a cost of Rx. 13,900 per annum. When these officers of either service rise to be administrative officers, *i.e.*, principal medical officers of districts, they receive the same amount of pay.

3. The question of the status of the Indian Medical Service is of great importance, and I do not at all agree with Doctor Bahadurji in the main part of his evidence. His statements regarding the relations of the medical officers and the sepoys in a Native regiment are not correct. If the hospital assistant treated the sick in hospital, the sepoys would certainly not be as satisfied as they are at present. The hospital assistant in a regimental hospital merely dispenses the prescriptions of the medical officer, distributes the medicine, and assists the medical officer generally. He also prepares the returns, &c. If the Native Army is to be treated by native practitioners, a higher stamp of men will be required than is to be found in the hospital assistant class.

4. The advantages of a special and unified medical service for India are that it attracts the best men and meets the military requirements in providing a large war reserve. We certainly do get a large number of the best men from the schools. The field from which to select embryo specialists is a large one, and we command them in all branches of medical science. It is of course an easy matter to jeer at the varied and manifold duties discharged by commissioned medical officers, but the numbers are large and the men are select, and the scoffers would, I am sure, be surprised at the qualifications of the officers and at the distinctions which they have won during their college career. In such a service there is no difficulty in training specialists.

5. The war reserve is not merely a paper one, as stated by Dr. Bahadurji. In the case of a great emergency 229 officers can be sent from civil employment, out of a strength of 451. In the Chitral expedition all the officers applied for from civil employment by the principal medical officer were transferred to him. They were obtained from Civil Governments in the Bengal Presidency, and none were received from either Madras or Bombay. Dr. Bahadurji's statements on this subject show that he does not fully understand the question.

6. I have not sufficient leisure to enter upon the large question of the organisation, functions, and merits of the Indian Medical Service. Many of the statements made by Dr. Bahadurji can, in my opinion, be refuted; and if the Commission want evidence on the subject, there is plenty to be obtained in England. I said in my evidence that I should be glad to see one medical service for India, and Lord Wolseley has supported that view. But I am distinctly of opinion that it could only be one Indian Medical Service, and that it would be impossible to have a service the members of which were coming and going, and who owed allegiance to the distant military authorities at the War Office. The medical department in both branches, *i.e.*, Indian and British, is responsible for a very large amount of expenditure, and the officers should, in my opinion, be under the Government of India, and the Commander-in-Chief in India.

EDWIN H. H. COLLEN.

Calcutta, 17th March 1897.

No. 5.

To the Right Hon. LORD WELBY, G.C.B., Chairman of the Royal Commission on Indian Expenditure.

MY LORD, Calcutta, March 17, 1897.

IN continuation of my letter No. 4, dated the 17th March 1897, I beg to submit Memorandum No. V., on Section III.—Apportionment.

I have, &c.

(Signed) EDWIN H. H. COLLEN.

V.

MEMORANDUM.

SECTION III.—APPORTIONMENT.

In the present memorandum I submit my remarks on some of the evidence which has been given on the subject of apportionment of charges. I propose to deal with the subjects under the following heads:—

A.—Charges and capitation rates generally.
B.—Details.
C.—Long and short service.
D.—General pleas of the Government of India.
E.—Expeditions.
F.—Miscellaneous, and proposals.

A.—CHARGES AND CAPITATION RATES GENERALLY.

2. A great deal has been said about the cost and training of recruits at Warley. It is not pretended

that Warley was a training depôt as the depôts are now constituted, but the circumstances of the times are changed, and young soldiers receive a far better training than they did in those days. Whether the men now sent to India are trained soldiers, I shall presently
Q. 12557-59. discuss. It is said that 30*l.* was the cost of a recruit sent to India, and that as it usually took three or four months making up a draft of 1,000 men, the average time of training was one-half that time, or at least
Q. 12,564. much less than three or four months. It is also stated that the 30*l.* does not compare so very badly with the charge now made, and that the charge now made works up to something like 32*l.* or 33*l.*, because an allowance for clothing, arms, and accoutrements would have to
Q. 12,574; 12,581. be added to the Warley charge. There are two points here upon which I would remark. First, if only 32*l.* or 33*l.* is paid by India for recruits, how is it we paid so much more for the years which were reviewed in the memorandum of the military department sent home by the Government of India in 1890? Surely, even with the charge for clothing, &c., added to the 32*l.* we should not reach the sums we paid in those years. Secondly, it is quite certain that no allowance for clothing, arms, and accoutrements was added, because it will be remembered that the charges for clothing, arms, and accoutrements for soldiers embarking are, and always have been, a separate charge against India, in addition to charges for training men. It seems almost inconceivable that with business people controlling the affairs of the East India Company, no allowance should have been made for the clothing, arms, and accoutrements, for recruits while at the Warley Depôt, that this fact should have escaped the vigilance of the India Office and War Office members of the numerous committees which have sat, and that the small charge at which recruits were enlisted and sent out to India in the East India Company's service, should have been so persistently brought forward without any effort to detect the alleged error. The cost works out, according to Sir Ralph Knox, at 2*l.* 8*s.* 11*d.* per head on the establishment, *i.e.*, the capitation rate
Q. 12,592. of those days. No one has ever said that it would not be much more than this at the present time, but if we were to add 50 per cent., it would not be an unfair estimate.

Q. 12,596. 3. Sir Ralph Knox says that the Warley charge for a man may have been something like four or five months' pay, but this does not support the idea that a recruit only got on an average two and a half months'
Q. 12,623. training. The present charge is, according to Sir Ralph Knox, 33*l.* for each infantry soldier; for each cavalry soldier, 71*l.* 11*s.*; field artillery, 84*l.* 3*s.*; horse
Q. 12,821 12,829. artillery, 84*l.* 12*s.*; or 44*l.* for all arms. These sums are considerably less than those which are quoted in the memorandum of 1890, and which were the War Office claims against India for the three years mentioned in
Q. 12,830. that memorandum. The charge in those days for
Q. 12,831. Queen's troops was 4*l.* per head. I notice that Sir Ralph Knox states that Colonel Tulloch's estimate of 10*l.*, including colonel's pay and furlough pay, and various charges which are not included in the 7*l.* 10*s.* rates, works out to 6*l.* 7*s.* 6*d.* under the 10*l.* capitation system. On this point it would be interesting to see all the calculations which have been made by the War Office,
Q. 12,834. but it must be remarked that according to Sir Ralph Knox the Warley system cost the Indian Government, worked in the way it was, about 4*l.* a head; while the Imperial Government system cost about 6*l.* 7*s.* 6*d.* per head, which was represented in actual payment by
Q. 12,835. India by 8*l.* Under the 10*l.* capitation rate, eliminating certain items, the charge works out as nearly as
Q. 12,839-27. possible at 7*l.* 3*s.* The cost was, as I have said, 6*l.* 7*s.* 6*d.*, but the bill was for 8*l.*, and this is obtained by comparing, as Sir Ralph Knox says, like with like.

4. I find it very difficult to follow Sir Ralph Knox's evidence on these points, and it is unfortunate that these calculations were not sent to the Government of India long ago, and comparisons made. It would have been possible, one would have thought, to have put forward some intelligible calculations supported by vouchers of cost and actual charges; but the remarkable fact to which I wish to draw attention is that the India Office members of these committees never appear to have admitted the correctness of the calculations on the basis upon which they were drawn up, and that Lord Northbrook, after all his great experience as Chairman of the Commission, said from his place in the House of Lords that he thought a 5*l.* capitation rate would be sufficient.

Q. 12,839; 12,848. 5. Sir Ralph Knox states that the present charge similarly adjusted works out to 6*l.* 14*s.*, and that the infantry charge, 33*l.*, works out far below what the Warley charge is. I regret to say that I find it impossible to accept these calculations unsupported as they are by details of cost. Nor can I even reconcile the different statements made. According to Sir Ralph Knox, the Warley charge came to 26*l.* 7*s.* 5*d.*, but that Q. 12,854. excluded clothing, arms, accoutrements, and barracks. This barrack account he states was 7*l.* 14*s.* per man per annum. I think there is a misapprehension in this matter. In reference be made to Q. 6309, paragraph 281, evidence connected with the report of the Royal Commission on the organisation of the Indian Army, 1858, a statement of the expenses of the depôt at Warley for 1857 will be found. Clothing, repairs to arms, barrack department, repairs to buildings, are included. The charge works out to 16*l.* 11*s.* 10½*d.* per man. I do not say the amount quoted represents the normal annual charge, as within 17 months the Warley depôt sent 10,000 men to India. But at least the statement shows that in 1857 the charges were comprehensive.

6. It is stated by the Chairman that I disputed the Q. 13,062. arithmetical basis of the capitation grant of 7*l.* 10*s.* It will perhaps be remembered that I only had the War Office papers reviewed in the memorandum and despatch of 1890. The Government of India never had a full explanation. I had no special instructions on this point from the Government of India, but the position I took up is explained in the memorandum and in my evidence. When it is said that I disputed the arithmetical basis, I think I should be allowed to explain that I disputed the correctness of the charges upon which that capitation rate was based; that is to say, taking, for example, such a charge as that made for the Royal Military Academy or Staff College, I gave reasons why, in my opinion, India was charged too highly. I did not dispute the arithmetical correctness of the War Office calculations framed on the basis they considered to be correct.

7. As regards recruits from Warley being a poor lot Q. 13,072. picked up anyhow, and the idea of looking back at the old system with affection or longing, I venture to assert that if the regiments were excellent and fine fighting material, as they are allowed to have been, the material must have been fairly good to start with, otherwise they could hardly become excellent regiments in an enervating climate in a country where, it is said, the training is not so good as at home. Undoubtedly Q. 13,075. in those days, when sanitation was very defective in India, and all ranks were imprudent, and when people generally used to drink a great deal more than they do now, the mortality was very great. I remember some of the old East India Company's regiments which had become Queen's regiments, two or three years after the Mutiny campaigns, and certainly a finer set of men I never saw, and my own remembrance is borne out by that of other officers who served in those regiments. Plenty of evidence can be produced to show that the recruits passed into the service from the Warley Depôt were excellent from a physical point of view, that they were drilled well there (on this point, *see* the evidence of the Commandant before the Royal Commission, 1858) for a limited time, and that the European soldiers of the East India Company formed a splendid body of troops.

B.—Details.

(1.) *Capitation rates.*

8. I have already alluded to these rates; and with Q. 13,077. regard to the remark that Sir Ralph Knox's evidence had up to that time not been controverted, that the cost of training a recruit during the existence of the Warley Depôt was if anything (allowance being made for charges included in one case and excluded in the other) higher than at the present time, I would submit that I have shown that the evidence is based on misapprehension and incompleteness of information. It seems to me, as I have already said, that it is impossible that such a strong point on the War Office side could have escaped all the committees. Up to the date of the evidence by Sir Ralph Knox, it was, I understand, admitted by the War Office that the Warley charges were far less than the present charges, admitting, of course, that the length of training at Warley was less than at the present time, and when we have it on Sir Ralph Knox's own evidence that this question of the Warley charge was always being alluded to on behalf of the Government of India, it is incredible the question should not have been more closely investigated.

(2) *Depôts.*

9. I would ask the Commission to notice the statements made in the memorandum of 1890 on this head, and I would also ask their attention to the fact that in Lord Cardwell's evidence before the Select Committee of the House of Commons, he admitted that the cost of providing recruits for India was susceptible of great reduction. I have not this evidence to refer to at this moment, but I venture to think it should be referred to by the Commission. I do not think that Lord Cardwell merely admitted that the expenditure which had been
Q. 12,628. incurred by the British Government during this period of the 10*l.* rate system was excessive.

Q. 12,630. 10. Is there anything to prove that the excess cost of
Q. 12,646. the depôt system was borne by the Imperial Government? It must be recollected that Sir Thomas Seccombe and Colonel Jameson said that the East India Company were able to send efficient artillery and infantry recruits to India at a cost of 26*l.* 5*s.* 7*d.*, and I think some stress should be laid on the fact that Sir Thomas Seccombe, after all his experience and exhaustive inquiries, should, in his very last report on the awards of Lord Northbrook's Commission, have called attention to the excessive cost of the depôts as at present existing.

Q. 12,669. 11. It is stated that the abolition of the cavalry
Q. 12,684-85. depôt is entirely in the interests of India. That is a proposition which, from a study of the propsals for the new organisation of the cavalry, can hardly be accepted. The Commander-in-Chief in India and the Government of India find that there are considerable objections, from the Indian point of view, to the new system. As to the present charge being less than the Warley charge, I have already alluded to this point, and it seems to me to require very definite calculation and comparison.

Q. 12,710. 12. Sir Ralph Knox states that the present depôt system is cheaper, as the waste is absorbed; but I would venture to point out that the waste by desertion and death, &c., is charged against India, and, although I admit that it comes into the charge arithmetically calculated, yet it must be remembered that India has no means of deciding whether these desertions could not be avoided, having regard to the fact that in the days of the Warley Depôt such desertions hardly ever took place. I cannot, therefore, accept the statement that it is a delusion to think the old Indian method of recruiting was cheaper than the present one. The
Q. 12,754. training may be much better at the present day, but that is due to the longer time the men are trained and the better method of training. I quite admit that an establishment which has to maintain a great force would *ceteris paribus* be somewhat more economical than that which is required to maintain a small force.
Q. 13,094. But allowing for the increase in the necessary expenditure of the present day, it seems to me to point to the conclusion that a system of depôts conducted economically and solely for the wants of India should not cost very much more than the old or Warley system.

Q. 13,313. 13. I notice that it is stated in my evidence I said it would be very much cheaper if the Indian depôts were concentrated, and that for one or two depôts the charge would be much lighter.

It can hardly be supposed that I intended to convey the meaning attributed to me. What I meant was, that a system of large depôts would be cheaper to India than the very numerous ones which are now part of the territorial and localisation system of the United Kingdom.

14. As to the administrators in England being the best judge of what is the best organisation, I entirely accept that decision, but I maintain India should not pay for the "best organisation," but for what would suit her requirements. I was not arguing for any change in the system now employed at home; as I shall have occasion to point out under the head of "short service," I was a strong advocate of the territorial system as far back as 1870, and published my views on the subject. But what I endeavoured to convey was that the present depôt system, which is part of a purely home organisation, is not as economical to India as one under which she would obtain her recruits by the method of larger depôts for special Indian service. I quite admit that we should probably not get 30,000 or 40,000 recruits if we did not have numerous depôts, but that is not the number we require for India.

15. With regard to what has been said in respect to the abomination of the Chatham Depôt, I venture to think that this does not affect the case of a well- Q. 13,313.
managed depôt at the present day, and, indeed, it is admitted that it need not be as bad as the large depôts used to be in the past. I happen to know the Canterbury depôt very well. In my humble opinion, it is exceedingly well managed, and the men are very well taught at the present time, while the behaviour of the young soldiers appears to leave nothing to be desired, and during my stay at home I had particular opportunities of observing this.

16. Sir Ralph Knox states that I suggested that Q. 13,399.
there should be one general training depôt. Surely it could hardly be supposed that I really thought that the whole of the drafts for India could be supplied from one depôt. I have already explained my meaning. Whether a general training depôt for cavalry is an Q. 13,400-1.
expensive process in comparison to the system it is desired to introduce, can only be proved by experience. I should have thought that the Canterbury Depôt, in which some economies might still be introduced, was now managed on a fairly economical basis, and I cannot understand how the recruits can be turned out at a less expense to India than under the present system, although I admit that in certain years we paid very highly for them, as I have pointed out in the memorandum of 1890. I have not the least doubt that Q. 13,405.
the men sent out to India are as good as or better than the men remaining at home.

(3.) *Services of young Officers before Embarkation.*

17. On this subject I have nothing to add to what is stated in the memorandum of 1890 and in the evidence I gave. I do not think I said that India should be entirely relieved of the charge of these young officers, but that we ought to receive a drawback for the possible utilisation of their services before they came on the Indian establishment.

(4.) *Educational Establishments.*

18. I have entered at some length, both in the memorandum of 1890 and in my evidence, on the Q. 12,523-24.
calculations made in respect to the charges made against India for the education of officers, and have nothing to add to the explanation given. I do not admit that it is fair to charge India according to the number of officers on the British and Indian establishments, but that India should pay according to the number of officers who are trained for India at the various establishments.

19. With regard to the statement made by Sir Ralph Knox that the charge for the School of Musketry at Hythe was knocked off because we established schools of musketry in India, those were established in the year 1885. The War Office charged India on the proportion of all ranks on the Indian establishment. As I said in the memorandum of 1890, that is not a satisfactory method of calculation, because it cannot be supposed that the officers and men on the Indian establishment with the British Army all went through the School of Musketry, while India had to keep up schools of musketry, and to train in shooting that portion of the British Army which is in India. The charge appeared at 2,422*l.* in the War Office claim for 1887-88. I do not know when that charge was discontinued, but it is evident India must have paid something for Hythe *after* the establishment of schools of musketry in India, so that it can scarcely be said that the charge was knocked off when schools of musketry were established in this country.

(5.) *Expenditure in connexion with Invaliding and Discharges.*

20. I noticed in my evidence that the charges under this head were spoken of as in connexion with men being *discharged.* Although some men who have Q. 12,524.
renewed their engagement may be awaiting discharge, yet the bulk of the men are transferred to the Army Reserve. I must also point out that the men are not now 28 days on board ship. The basis of the present calculation is that India is charged for 60 days for men with regiments and for 36 with detachments. My own opinion is that as India pays for the men from the date they embark from home, it would only be fair that England should pay from the date they embarked from India, or at all events that we should not pay after they land in England and are practically on the British establishment.

21. With regard to invalids, the basis of the present charge is that India pays for 78 days for invalids after they have left India; this is assuming 28 days on the voyage. This is not the case at present, as the number of days is about 21 or 22. If the invalids are treated in hospital for 50 days on an average, it may be right that India should be charged for that amount, although, as I have pointed out, we do not charge England for the number of men who land sick in India, and are therefore non-effective.

(6.) *Rebate.*

Q. 13,678. Q. 13,056. Q. 13,058.

22. I understand that Sir Ralph Knox's contention is that India only pays for six months for an infantry soldier, and that if he comes back to the Reserve India has paid only for four months' training, because India gets a rebate of one-third. It is quite true that the men are trained longer than six months at the present time, that a large number have over 12 months' service, over 18 months, and even over two years, before being sent out, and so far the conditions are favourable to India; but then, on the other hand, it must be remembered that India puts forward the plea that these men form part of the military establishment of England, and would be available in case of emergency. This, however, is a question which I will deal with separately. Our general contention on this point is, that at the present time India only gets the service of the man, unless he extends his service in an exceptional case, when the War Office cannot supply men, for a little over five, and certainly not over six, years, so that he may be said to serve the War Office for more than one-half the period of his service. It was on this ground that in the memorandum of 1890 we considered that one-half instead of one-third should be allowed by the War Office as rebate. But it must be pointed out that we only got one-third of the old capitation rate; we do not get one-third of the total charge for the man.

(7.) *Deferred Pay.*

23. This is a charge which was incurred without the consent of India, for reasons which were, no doubt, very good and sufficient. Many experienced officers believe that it does not tend to stimulate recruiting, and that it is a very doubtful advantage to the soldier. It operates against India when, as has happened, we have had to pay considerable bounties to men to re-engage in India on account of the War Office being unable to supply the number of men we have required. The soldier looks at the deferred pay he would receive in comparison with the bounty that he may get for the re-engagement, and the prospect of possessing a lump sum of 21*l.* is often too much for him. Can it be said that the young men of, say, 25 years of age, of the class from which our men are drawn, are sufficiently prudent to keep the 21*l.* to help them in civil life? I am afraid that most regimental officers would bear witness that the money is spent in a way which is certainly not profitable to the men, and some have denounced the system in very strong terms. I venture to think that it would be far better if, while the man got a small gratuity on passing to the Reserve or on discharge, his reserve pay was somewhat increased. This would keep the wolf from the door when he is trying to find employment; but this is a matter upon which I will remark further on.

C.—Long and Short Service.

24. I must first endeavour to remove the impression that has been apparently created that I am an opponent of short service. So far back as 1870 I published a pamphlet in India, entitled "The British Army and its Reserves," in which I wrote strongly in favour of short service, territorial regiments, and localisation, and the intimate connexion of the Militia and Volunteers with the Line. In that pamphlet I proposed concurrent terms for home and foreign service of six and 12 years with the colours. Again, in 1877, when we were investigating the effect that short service was likely to have upon India, although I was an advocate for a longer service in India than was then given, or is now given, I strongly objected to any action being taken which would materially diminish the Reserve, and I begged the Government of India to consider the proposals I put forward at the time, and not to support any recommendation which would have the effect of greatly lessening the numbers of the Reserve. It can therefore hardly be said that I am an opponent of short service. My whole contention is that short service by itself does not give us, as it is at present worked, a better army in India, and that India should have a longer period of a man's service. I have never said that the young men of the present day who enter the army are inferior to the men who entered the army in the past, although I should doubt whether they are physically equal; but I have always said that they are better behaved, more tractable, and less inclined to intemperance, than the men we had in the past. Much of that, however, is due to the army being regarded as a more respectable profession, to the gradual elimination of the idea that a soldier must necessarily be a blackguard, and also to the better education and progress of the classes from which the army is drawn.

25. I venture to think there has been some misapprehension with regard to the statistics of invaliding, in connexion with the ages of the men serving in India, and the length of service which they put in in that country. I had not at that time any complete statistics to put before the Commission. Such as I had are given in the appendices. I happen to have the invaliding statistics in the Sanitary Commissioner's report in 1887–88, and the ages of the men on the 1st January 1895. I pointed out in my evidence that I should like to have a further opportunity of going into the question, and that the figures for invaliding were for 1887–88, and those regarding the ages for 1895. The years were, therefore, not properly comparable. But I have now obtained more complete information, and I have submitted a separate memorandum to the Commission. Q. 6,234-6,261. Q. 6,261.

26. I will offer some observations upon the evidence which has been given. In the first place, I would remark that from 18 to 20 can hardly be called a man's service, but if service in India could be obtained from 20 to 28 or 30, that would be advantageous to India; and a man with eight years' service in India does not appear to me to be in a worse position to enter upon civil life without a trade, than when he is 25 or 26. The solution of the difficulty is one which I have constantly pressed on the Commander-in-Chief and the Government of India, viz., that we should extend the present system of workshops in India, and should teach men trades or improve them in their own trades, so that they might have some resource when they have passed into the reserve.

27. The average length of service in India was calculated, as I have pointed out in my evidence, by the War Office actuaries to be five years and four months. What may be the case in a particular year is not to the point, as there have been, within recent years, a fair number of re-engagements. Of those occasions India had to pay bounties to induce men to extend their service. It has been declared by the War Office that $5\frac{4}{12}$ years will normally be the limit of a man's service in India, and I do not think it is fair to take abnormal conditions. The period is what the present system will eventually give us.

28. Sir Ralph Knox states that a large number of men are enlisted between 18 and 19, and that the stipulation is that men shall not go out till they are 20. I understood that it was the physical equivalent of 20, and it must be admitted that many of the lads are not 18 when they are enlisted; a considerable number of men also come out with the regiments and batteries in the course of relief. The real object to ascertain is whether there is, or is not, an undue proportion of very young men, and whether the army in India is now composed of well-drilled and seasoned soldiers. Very extensive inquiries were made in 1877—the short service of that time was not so very different from the short service of 1896—and the results of those inquiries will be found among the Proceedings of the Government of India on record in the India Office. I gave an abstract, as put forward by Sir Henry Norman, which represented the opinion of a large number of experienced officers. I also quoted the opinions of Commanders-in-Chief, such as Lord Strathnairn, Sir William Mansfield (Lord Sandhurst), and Lord Napier of Magdala; and Lord Roberts' opinion on the subject is well known. I further drew attention to the War Office letter of the 24th December 1889, which said that a tour of seven years' Indian service should be obtained from every man. Q. 6,111.

29. I would point out that the opinions which I brought forward were not the opinions of a few men only; they were the opinions of a large number of

officers in high positions and of regimental officers. I do not think that the question—Has the short-service system increased the cost of the soldier furnished to India?—has yet been answered. A thousand men used to be required annually to keep up 12,000 of the East India Company's European army; 6,000 would now be required to keep up 72,000 on those terms, but 12,000 are required. This is according to Sir Ralph Knox's evidence; but it must be remembered that in these days a fewer number would be required to keep up a supply of men with longer service, because of the great improvement in sanitary measures conducing to the health of the men in India.

Q. 12,583.

Q. 12,586.

30. Whether the young soldier who is sent out at 20 years of age is fully trained, as alleged, and is a perfectly effective soldier for Indian service, has, I think, to be considered. Sir Ralph Knox states that the soldier gives six or seven years' service in India, and that there is no man in India who is not fit to take his place in the ranks. Statistics do not support the first statement, and as to the second I have made some inquiries on that head. Of 131 commanding officers who were asked, 54 said that the drafts were passed into the ranks at once, and 77 said they had to be under training (from periods under one month and over three months) before being passed into the ranks. We should not feel so strongly on the subject of short service if a man gave seven years' service in India. Sir Ralph Knox states that the short-service system must give rise to an increased charge for raising and training men; and that is precisely the contention we have always put forward. Fifty per cent. more men have to be sent out compared with the ten-years' system, as stated by Sir Ralph Knox. He also says that several military officers have affirmed that the European Army in India is in an absolutely more efficient condition than it has ever been; but it must be recollected that very costly improvements have taken place in India, and in everything connected with the Army. He further states that the reserve is available for both countries. That is a question which must be separately dealt with.

Q. 12,599.

Q. 12,668.

Q. 12,671.

Q. 12,758-59.

Q. 12,764.

31. As to India "wanting to make a good thing of it," when troops are borrowed from India by England, I am unable to follow the argument. Sir Ralph Knox states that it does not require eight years' service in India specially to make a good soldier; but I am not aware that anyone said such was the case. I venture to point out that the quotation from Sir Henry Waterfield's memorandum is a quotation from the despatch of the Government of India in 1890. Sir Ralph Knox states that the War Office are liberal and just to India, but want 500,000*l.* more. A great deal has been said with regard to the large saving on pensions for soldiers, and it is stated that the normal charge to India under long service, *i.e.*, 12 years, with power of re-engagement up to 21 years, would have been 971,000*l.* per annum, and that there is a saving under short service in pensions alone of 669,000*l.* per annum. I submit that these statements cannot be accepted unless the actuaries of the India Office and the Government of India thoroughly examine the calculations. There has, no doubt, been a saving under the head of pensions, but it must be recollected that the number of men who would re-engage for 21 years' service, drawn from the class of men who now enlist, would not have been very numerous, nor would the Government of India have desired that they should be so. It was never contended that men between 12 and 21 years' service are most valuable for the army in India. Many authorities have held that it is a good thing to have a leaven of older privates, and certainly for the non-commissioned officers; but I am not aware that I, or anyone else, put forward the plea that a longer colour service than 12 years was generally advisable, even for troops on foreign stations. The new system, it is understood, will work up to a maximum of 300,000*l.*, and it is stated that deducting 211,000*l.* for deferred pay the saving is 458,000*l.* That can hardly be accepted, because, as I have said, a large number of men would have taken their discharge and might have been passed to the reserves for several years after 12 years' total service, of which, perhaps, 10 might have been spent in India.

Q. 12,774.

Q. 12,789.

Q. 12,793.

Q. 12,794.

Q. 12,942-50.

Q. 12,952.

Q. 12,958.

32. It is said that in 1870–71, 21,000 men were carried to India, and in 1894–95, 29,000, and that the increase is 8,000; that the increased transport charges are 73,000, and that, therefore, when the normal charges have been reached, India will save 400,000*l.* per annum, after deducting transport charges and deferred pay. But I venture to observe that it is impossible to accept a calculation of this kind. The transport charges, as I pointed out in my evidence, have fallen largely, but that is entirely due to economy in the service, and to the fact that the transports which were paid for by India have reached the end of their life. In order to make a fair comparison the charges for transport should be taken as they were in the earlier years. The transport charges would have equally fallen under a system which gave men twice the number of years' service in India which they now spend, and, of course, a larger saving would have been effected, because half the number of men would have to be carried. Sir Ralph Knox points out that he did not say that the cost was higher at the present time, but that the charge to India was more favourable.

Q. 12,961-70.

Q. 13,077.

33. I observe that it is said that we could not now obtain recruits on the old system, that the age was then just as young, and that no trouble was taken to see if the men were really 20 years of age before they came to India. I have already pointed out that there is nothing to prove that with several large depôts the men could not be readily obtained for Indian service, which was popular with the classes from which our men are drawn. The present arrangement, it is said, is to ensure the men being seasoned troops, ready to take the field, and that the actual charge against India is less than it was in the time of Warley. I observe, however, that it is said we take many boys who say they are 18 and who possess the physical qualifications of 18, but that we have good reason to suppose that they are not 18. That bears out what I stated in my evidence.

Q. 13,078.

Q. 13,084.

Q. 13,088.

Q. 13,091-92.

34. It is stated that I argued for 10 years' service in India, and also that younger soldiers are invalided in less proportion than the older ones. On the first point I would remark that I said the Government of India would be very glad if the men had seven years' service in India as the War Office proposed, and as they appear to think they have now, judging from some of the evidence. But so far as the requirements of India are concerned, I am prepared to say that there is no reason why a soldier coming out to India at 20 years of age with two years' service should not serve eight, nine, or even ten years in India, considering that he has during the course of that time changes to the hills. I think I have proved in my separate memorandum that younger soldiers are invalided in a higher proportion than the older ones. The opinion given is that after a man has been eight years in India, the sooner you get rid of him the better for India. This is a matter of opinion, and it is contrary to the opionion of the many experienced officers who have considered this subject.

Q. 13,141.

Q. 13,141.

35. As to the improvement in invaliding being due to the short service system, I have put forward statistics which show that this belief is mistaken. The question of the number of men who are constantly sick, and the increasing ratio, has a very material bearing on the point, and that the native army ratio of constantly-sick is decreasing is a very important factor in the question. It is true that re-engagements show a proportion of older men at the present time, but if these have not to be resorted to in the future, the average must work down to what was calculated by the War Office actuaries, viz., five years and four months' service in India. It cannot be said that the proportion of men invalided over 25 years of age is larger than the proportion of men under 25 years at the present time.

Q. 13,143.

Q. 13,144-48.

Q. 13,149-49.

36. I notice that the chairman says that each recruit under the old system was more expensive relatively than now, but I submit with all deference that in no case is this proved. The statement that we had a less effective army under the old system than the present one is not accepted by those who have held the Command-in-Chief in India. As I have said, we do not require a large number of men of 18 or 19 years' service, though it has been held that the presence of a few privates of that length of service is advantageous to regiments. A man cannot be called an old soldier in years at 28 years of age, although he may be an old soldier in other ways by experience in the field—an experince which he certainly gains in India.

Q. 13,156.

Q. 13,158.

37. The chairman states that, from some of the evidence, it appears as if the disappearance of the old local force was regretted. This, however, is not I think the case, but the Army Commission of 1879,

Q. 13,167.

which was composed of many distinguished officers, made the following statement:—

"High authorities have urged that, although troops of Her Majesty's British Army must be superior in discipline and traditions to a merely local force, yet a local European army would be as good a force as India can afford, and would suffice for, at any rate, half or one-third of the European garrison. We cannot, of course, fail to see that the substitution of local troops for 20,000 or 30,000 of Her Majesty's British troops would cause a saving of from 160,000*l.* to 240,000*l.*; but we feel that any such change would seriously disturb the military system of the parent country, and would deprive a great part of the British Army of the valuable training which Indian service now furnishes. Moreover, such a change in the European garrison of India would no doubt involve some deterioration of discipline and consequent loss of power, and would deprive both India and England of the undoubted advantages which they mutually derive from the employment of a large portion of the Imperial army in India. While, therefore, we concur in the conclusions which were arrived at by the Parliamentary Commission of 1859, that it is not desirable to maintain a local European army for India, we think that the portion of the army employed in this country should be organised and administered with due regard to the interests of the people of India, and not for the purpose of supplying defects in the system of home defence, and above all, that it should not be made the means of obtaining, at the cost of India, advantages for the army at home which do not directly affect the interests of this country.

"In the matter of army organisation, England and India should, we feel, act on strict terms of reciprocity; for there can be doubt that, while India derives great advantages from being garrisoned by a portion of the army of England, and from the reserve which the English army represents, England also derives very considerable benefits from this arrangement, and has, in the native army of India, a great reserve in the case of her being engaged in military operations in the East outside India proper. While, therefore, we fully recognise the fact that the establishment of Her Majesty's British troops serving in India must of necessity be dependent in a great degree on the home organisation, we consider that all possible concessions, not directly and radically inconsistent with that organisation, should be made to the special requirements and circumstances of India. If this principle be not recognised and enforced in a liberal and even generous spirit, it is possible that the advantages which India may hope to derive from the present system may be too dearly purchased, and may become a burthen which the country will be unable to bear. India may thus be driven by sheer necessity to re-establish a local army, which, though less efficient than that now at her disposal, may be sufficient for her purposes and more within her means."

Q. 13,167. 38. It is said in the evidence that if you keep a man in India eight or nine years, you would take out of his life the whole of the best part of it, and would have to give him a pension. This was not, however, done under the 12 years' system. It was added that if you keep a man over seven years in service, certainly beyond eight years, you are bound to give him a pension. At the present time, recruits are enlisted either for long service consisting of 12 years' service with the colours and no reserve service, or for short service, which consists of periods of service with the colours and in the reserve varying in different arms of the service. Enlistments for long service are restricted to the Household Cavalry and a few other corps. It may be said that short service for the army generally is for seven years with five years in the army reserve; or if at the termination of such a period of army service the man is serving beyond the seas, then for a further period of one year, and the remaining portion of the period of 12 years in the 1st class army reserve. For the Foot Guards the service is either seven years' army and five years' reserve service, or three years' army and nine years' reserve service, at the option of the recruit. In the Army Service Corps it is for three years' army service and nine years' reserve service, while in the Royal Engineers the terms are also optional, with certain exceptions. There is one important reservation, however, that if at the expiration of the term of service with the colours, a soldier is required in case of imminent national danger or great emergency, he may be called on to serve in army service to complete the term of 12 years, and for a further period not exceeding twelve months; *i.e.*, as I understand the regulations that if the term of 12 years expires while on service with the regular troops beyond the seas, or while a state of war exists with a foreign power, or while soldiers in the reserve are required by proclamation to continue in or re-enter upon army service, then the soldier may have to serve a further period not exceeding 12 months. Although this proviso has not been put into effect, yet it appears to me that the State does enlist the soldier for 12 years without a pension, and that it contemplates a state of things under which that might be possible, so that Sir Ralph Knox's remarks that it is unfair to take a man for 12 years, and not give him a pension seem to me to be hardly applicable.

Q. 13,168-70 39. The remarks I have made meet, I think, the Chairman's observation that when I was arguing for extended Indian service I did not see that it need entail a system of pensions. I must venture to maintain my opinion that an extension of Indian service need not necessarily entail pensions. I believe that by applying what is now given in deferred pay to increase the reserve pay of the soldier passed to the reserve after 10 or even 12 years' colour service, and combining that with a thorough instruction in trades, we should have far less distress when the men return to civil life than at present. I am aware that statistics have been brought forward to show that a large number of reserve soldiers are employed, yet there are a large number who are discharged as invalids, and also in the reserve, who are not employed, and the people who work among the poor well know what is the case of these men. It is said in the evidence that the maximum term of Q. 13,171. service a man should undergo in India is seven years, but that he is sometimes kept eight years, and that six years would be better. This, however, is not borne out by statistics, as according to the War Office actuaries a man's service in India will not be longer than between five and six years. We should not have so much to complain of if men served even for seven years in India.

D.—General Pleas of the Government of India.

(1.) *Value of India as a Training Ground.*

Q. 13,132 3. 40. The statement that India is a good training ground for British soldiers is objected to in the evidence; it is also affirmed that men are sent out to India as trained soldiers; it is said that for European Q. 13,134-5 warfare, soldiers trained in India are not so good as men trained at home; that India is not so good a training ground for European warfare as Aldershot; that peace training in England goes on all the year round, while in India it only lasts three or four months; that there are false notions in India of active service in Europe, the troops have servants to look after them, and men to cook for them; that officers go into the field with a number of servants, and that they have luxuries unknown in Europe, where the men perform long marches and bivouac in all sorts of bad weather.

41. No one respects more than I do the opinion which is thus given against Indian training, but I must venture to point out that there is a vast body of opinion from the Duke of Wellington downwards, which can be given on the other side. In my own small experience I have seen British regiments without Indian training comparatively very helpless on field service. On the other hand, I have been a witness of the wonderful handiness of men who have been trained on service in India. There is much more camp life in India than at home, and I think it stands to reason that men or more experienced in these matters when trained in India than at home, and I venture to doubt whether the tactical instruction which is given in India is inferior to that given at home. I do not, for a moment, institute any comparison between the Generals and other officers who instruct the troops at home or in India. Given the same quality of instructor, then surely it must be admitted that troops trained in India, marching and manœuvring over a large extent of country, a portion of them inured to exposure and hardship in hill campaigns, must possess a higher degree of training than those who manœuvre in the confined areas at and near Aldershot, every inch of which is known to officers and men.

42. Nor do I think that it can be said that the peace training lasts only three or four months in India. It really goes on all the year round. It is also a mistake

to suppose that officers go into the field with a large number of servants and luxuries. In my first field service (Abyssinia), we were for weeks and weeks without tents, and with nothing but a little biscuit, commissariat beef, and tea; and so far as my reading goes of the various campaigns in the past in Europe, although great hardships have been experienced by want of management both in the English Army, as in the Crimea, and in Continental armies, yet I should say that, as a rule, the hardships experienced in properly-managed armies are less in Europe than in India. Take, for example, the small campaigns of recent years. In the Samana campaign the troops had to bivouac and march in snow. Going to the other extreme, in the expedition to Manipur they had to bivouac in constant rain. As to the number of servants taken by officers on field service, a subaltern in a British regiment is allowed one bâtman and one-third of a general servant (native); in the Native cavalry, for example, one personal servant is allowed, and a syce for each charger; and I would venture to remind the Commission of what Von Moltke said when some of the German officers were discussing that subject, and he pointed out to them that English officers do not usually go to war in first-class railway carriages as in the German Army.

Q. 13,136. 43. It is stated that on active service in India the old soldiers were left behind, and that the young men from 21 to 30 won the battles. With regard to the old soldiers winning the battles in the Punjab campaigns, it must be remembered that when the Duke of Wellington quoted in support of old soldiers the night attack of the 80th Regiment on the Sikh guns at Sobraon, he asked whether such a feat could have been performed, except by old soldiers, and he referred to the opinion of Napoleon with respect to what were then called old soldiers. I think it will be found that the British regiments in the Punjab campaigns had a large proportion of old soldiers. Again, Lord Napier of Magdala, who was Commander-in-Chief in India, in his remarks on the report of Lord Airey's Committee on Army Organisation, dated March 1880, made the following statement:—

"Some commanding officers consider that soldiers of 15 years' service are not fit for the active work required in the tactics of the present day, but others consider them the most valuable part of their regiments.

"We have seen the regiments under the system of 21 years' service, with the regular gradation from the veteran to the recruit, brought to a degree of perfection which has scarcely been equalled in other countries. In good regiments the most perfect bond of union existed between the commanding officer and all ranks under him; the men had entire confidence in their officers and each other; they knew that if they fell in action their families would be taken care of. The experienced non-commissioner officer and the steady old soldier had the most beneficial influence on the younger part of the regiment.

"Under this system the British infantry has accomplished, even in India, marches averaging 20 miles for many days in succession; has advanced steadily in line of battle against entrenched artillery; decimated by cannon shot and musketry, but in its diminished ranks steadily marching on to victory; successful against superior numbers as few other nations have been, and acquiring a glory acknowledged by all the world.

"Unfortunately the necessity for a reserve has obliged us to abandon that system and to adopt a short service, which, making every allowance for exceptional circumstances, has certainly given us too youthful an army."

44. Lord Roberts, who was also Commander-in-Chief in India for seven years, places the highest value on men over seven years' colour service. I have always understood that short service was instituted to obtain men when we could not get them under the previous terms of enlistment, but it was, of course, also instituted in order to create a reserve as stated by Sir Ralph Knox, and, as stated by him, to decrease the charge in pensions.

45. I venture to hold to my opinion, which I put forward in my evidence, and which has been repeatedly put forward both by the Government of India and the Secretary of State for India, that India constitutes an excellent training ground for the British Army, whether for European warfare, or for the warfare in which England is much more frequently engaged, viz., against eastern foes; and that under the present system the soldier is, under normal conditions, returned to England with a little over five years' service, and at an age when he is thoroughly valuable in the army, whether in India or in England.

(2.) *Value of the Indian Army as a reserve army.*

46. I should not have referred to the opinion that Indian troops cannot be placed in front of European soldiers, but that, if accepted, it militates against the plea put forward by the Government of India, the Secretary of State for India, and in my own evidence, that in the Indian Army of British and Native troops, England has a great reserve of military force for employment should the Empire be threatened, Q. 13,236-37.

47. It will be urged that as we require, say, 72,000 British soldiers in India, we should not be able to spare any portion of these troops. There is no doubt that if there were any likelihood of India being attacked, we should not be able to spare a single soldier; but there are certain conditions under which England might enter on a campaign, as in Egypt in 1882, and India might be prepared to help with a contingent of British troops. The development of the volunteer movement in India has done a great deal to supplement the force of British troops stationed in the country. That force of volunteers, valuable, as I pointed out in my evidence, for garrison purposes, could undoubtedly be supplemented by drawing in considerable numbers who have served in the volunteers and who are still in India, and by enrolling a large number of young men who do not yet belong to the volunteer force. With the development of railway communication, provided certain protective measures are taken, we possess a much greater hold of the country than formerly, and, speaking for myself personally, I should never hesitate to assent to the employment of a certain number of British troops out of India, provided that internal conditions were normal, and that there was no chance of India herself being attacked either from the north or from the south.

48. Then turning to the Native troops, it will be said, as I have stated in my evidence, that our establishment is no greater than we require, and that when we send troops out of India we incur a certain amount of risk. On the other hand, it must be recollected that we could raise a very large number of additional Native troops if Imperial necessities required. With regard to the British portion of the Indian Army, it must be remembered that Sir Redvers Buller in his evidence before Lord Wantage's Committee did not consider that a single regiment on the Home establishment was fit to take the field in the event of operations being undertaken out of the United Kingdom, and that all that could be done would be to employ troops quartered in India and in the Colonies and to replace them by regiments from home; so that the Adjutant-General of the Forces at least contemplated the possibility of sending out unfit battalions to India, there to be trained, and to withdraw the trained battalions from India.

49. As to the value of Indian troops opposed to European soldiers, I should like to point out that they have been employed in front of European soldiers, and that Indian officers, many of whom have had experience of European troops, and armies, could not admit that it would be impossible to employ Indian troops, any more than it is impossible for France to employ her Eastern troops. No one, as far as I am aware, has ever proposed that Indian troops should be sent into action against European troops without a proportion of British troops, but I believe Indian troops properly led and with a sufficient number of European officers could cope even with the troops of Continental nations, given the same capacity in the leaders and equal terms in other respects. In my opinion, the Native cavalry of India could cope with a large proportion of the cavalry of Continental powers; but even if it were possible, it would be impolitic and inexpedient not to associate a proportion of British troops with Native troops against an European Army, and this is what we have provided for in our field army in India. But putting aside the historic instance of Native troops crossing bayonets with the French in the early wars of India, may it not be said that Native troops led by Native officers, whether Sikhs or Gurkhas, have fought with the greatest resolution against our own while in the Mutiny campaigns, although under great disadvantages in the want of united action and of leaders, they certainly gave us a great deal of trouble. In conclusion, therefore, I submit my humble opinion that in

the Army of India there is an enormous reserve of military force available to be drawn upon when necessary, and that this plea should have considerable weight in assessing the charges which are to be paid against India.

(3.) *Value of the establishment of troops in England in connexion with the supply of the requirements of India.*

Q. 13,095. 50. It is stated that the recruits at present maintained for Indian purposes in the British Army at
Q. 13,096. home would be a great nuisance in the case of emergency, that they would be useless in riots, and
Q. 13,097. that in the event of an invasion they would be detrimental, as non-commissioned officers and some old soldiers would have to be left behind to look after them; but that with a year's training they would be of use for home defence, that they could be put into forts if invasion threatened, that in a great war, or in some war in which we should have to send a considerable force abroad, all the 80,000 reserves would be called out, that these would be distributed to their various regiments in England, and that the men we should fight with would be the reserves. In passing, I may venture to point out that this rather injures the argument that the reserves are available for Indian
Q. 13,105. purposes. It is said that thousands of boys being trained would not be a great addition to the fighting forces of the country, although after 18 months a recruit would be of use, and after two years a good soldier, but after a year's training they would be put
Q. 13,108. into forts, that in the event of a long war they would
Q. 13,111. not then be sent to India, but to wherever the war was taking place; that if serious emergency took place, we
Q. 13,113. should not send these young men to India, if danger did not particularly threaten India. From this it may be gathered, I think, that the men who are under training for India do possess a certain amount of military value, although it is not placed at a high figure; and it is obvious that if under the present system India is supplied with trained soldiers as alleged, then during part of their training they must be of distinct military value, whether for the defence of the country, or for warlike operations beyond the seas.

Q. 13,119. 51. It is said that a large force of reserves is avail-
Q. 13,123. able owing to the fact that we have a large Indian Army, that we cannot ear-mark 20,000 or 30,000 reserves for India, but that England says, "we will
Q. 13,124. "send you not only 20,000 or 30,000 men if you require "them, but we will send the whole army to India if "necessary for its safety"; that if we had not to recruit for India, England would only have to recruit some 16,000 men that we should get a better stamp of men more easily, and should not spend so much on
Q. 13,127. recruiting establishments; that the extra number of
Q. 13,130. recruits and the extra force in the reserve caused by the army in India is an increase of the Home Army in case of invasion, and that if India requires the reserve, England would have to send it.

52. As regards the relief to the British Army, if England did not recruit for India, I venture to ask whether it can be admitted that better men would be got more easily, and that the expenditure on recruiting would not be as great to the Imperial Government. On the first point, the stamp of man to be got is, I suppose, greatly dependent upon the state of the classes which enlist for the army, and on the length of service. It is quite possible that if the service were three years instead of seven, and there was no obligation to go abroad, a higher stamp of man would be obtained; whether he would be a better soldier is another matter. But improvements in the classes, and improvements in the army, must tend to obtaining a a better stamp of man, and the higher status of the army, and the higher the opinion of the nation regarding it, the better the class of men obtained. With regard to the second point, I do not know that it can be proved that men would be obtained more easily, considering the enormous population of England, Scotland, and Ireland, and the ever increasing competition in the way of making a livelihood. On the third point, as to the money spent on recruiting establishments, I venture to doubt whether this also is susceptible of proof.

53. As regards the reserves being available for India, the circumstances of the time might render it necessary to make military preparations in England, so that although we may rely on the fullest support, we cannot be certain that the demands of India would be
Q. 13,231. met. It can hardly, therefore, be said that the whole of the English Army which is maintained in England as a reserve, would be sent to India whenever India required it, or that one of the many purposes for which
Q. 13,234. a very large army is kept in England is, that it should be available in any case of emergency to send out to put down a mutiny, or to defend the shores or frontiers of India. What is fully understood, I am sure, is that England would give India every possible support, but if England were engaged in a campaign which demanded the employment of the British Army, then it is hardly reasonable to suppose that India would be a primary consideration. Even if India did not exist, Lord Wolseley would not recommend a reduction of troops in England. It cannot, therefore, be said that any portion of the army is really a reserve for India.

E.—Expeditions.

Q. 13,235. 54. It is stated that once in a way India sends one, two, or three battalions from India to a place like Suakin for a few months. The following is a list of the expeditions and of the strength of the troops composing them:—

	Men.
China, 1840	3,600
,, 1860	13,100
Abyssinia, 1897–68	13,700
Perak	1,200
Malta	9,000
Egypt, 1882	7,300
,, 1885	5,500
,, 1896	2,500

It is admitted that when England sends troops to the Colonies in the case of an emergency, England pays the bulk of the expense.

F.—Miscellaneous Proposals.

Non-effective Charges.

Q. 12,883. 55. Up to 1823 or 1824 India paid nothing for non-
Q. 12,888. effective charges. After this India paid 3*l.* per head
Q. 12,891-92. for 20,000 men, or 60,000*l.*; that lasted till 1861–62, when the 10*l.* capitation rate for effectives was introduced. It is stated that from 1834 to 1857 India only paid 2*l.* 10*s.* per head for 24,000 British soldiers, or 60,000*l.*; and the 3*l.* 10*s.* rate lasted from 1861 up to 1870–71. Capitalisation was then introduced, and this went on for 20 years.

Q. 13,187. 56. It is said that if we had no British rule in India
Q. 13,201. we should not have to build batteries and fortifications,
Q. 13,221-24. but that as we have India and these batteries, India must pay for them. Aden, it is said, is not exclusively Indian, and India subscribes little to the English Navy, the English Navy defends Aden, and that it is not a question worth considering. That, however, is not the opinion of the Government of India, and it will be found in the War Office archives, that Aden is looked upon as to be defended on the ground that it is an important coaling station and a harbour for Her Majesty's ships as well as the mercantile trade of the *East*, which is not exclusively Indian.

Q. 13,226. 57. It is also said that India ought to pay every
Q. 13,228. farthing of military cost which our possession of India
Q. 13,229. entails, although it is admitted that we should not be
Q. 13,232. so great a power if we did not hold India. It is also
Q. 13,247. said that the upkeep of a force to defend India is an obligation, to a certain extent, upon the whole Empire, and that India is part of the Empire of England; but that India ought to pay every farthing of military and naval expense, and that the real charge to which India subjects England is the charge which would not be incurred if India did not exist. These considerations do not take into account the enormous value of India to England and to her trade.

Q. 13,275. 58. It is said that Malta and Gibraltar are practically
Q. 13,285. kept up for India, and that if we did not hold India it is doubtful if we should have any troops in Malta. I venture to think that this can hardly be admitted. Malta and Gibraltar are kept up in the general interests of the Empire, especially in regard to the Mediterranean and the Eastern question, and were certainly held and valued, long before the Suez Canal allowed that route to be used in peace time, for the conveyance of troops and merchandise to India and the East generally. It is understood to be a general opinion, that if we were at war with Naval Powers the Suez Canal would be closed and the route to India would be by the Cape. Personally I am of opinion that the Suez Canal could be kept open, but if the Suez Canal is to be closed, and the route is to be by the Cape, then

it is difficult to see what special value Malta and Gibraltar have to India.

Q. 13,316. 59. Some misapprehension appears to have taken place with regard to what I said in respect to localised regiments and long service. The point that I brought forward, without laying it before the Commission as a suggestion of the Government of India, was that the localisation of regiments and batteries in India would conduce to economy, and would admit of longer service being given to India. It is quite a misapprehension to think that such a system would be anything like the old artillery depôt at Dum-Dum for recruits, or equivalent to the restoration of the East India Company's
Q. 13,317. services. I do not entirely share in the condemnation of a local army for India, or that it would be "as bad as bad can be." A reference to the discussions of 1858 in connexion with the report of the Royal Commission on Indian Army Organisation would show that there was a very strong body of opinion received from experienced and distinguished soldiers and statesmen in favor of a local army. A local army at the present day would be a very different thing from a local army of the past, and one effect at all events would be that India would be able to supply her own needs, and would not cause the tremendous strain and disorganisation of the Home army, which the War Office authorities maintain is entailed by the position of India and by the present system. No one can say that the artillery, engineers, cavalry, and infantry of the East India Company's service were not of the best material or that they had not the highest fighting qualities. The Army Commission of 1879, composed of distinguished civilians and soldiers, distinctly referred to the possibility of a local army, if the system of short service were to work as detrimentally as they considered it did to the interests of India in supplying seasoned troops for India. The plan of localisation which I mentioned was not in any way a return to the local army, but is an arrangement under which the head-quarters and the second battalions of regiments, and a certain number of batteries and cavalry regiments, would be permanently in India, the men being enlisted for a longer service than for the Home army, which could then have a service of three years with the colours and thus increase the reserve largely; while the officers would be those who wished to serve in India with the power of being sent to the depôts, as they are now every year, or of effecting exchange to the Home battalion. The battalion would practically change material just as it does now in a certain number of years, and there seems to be no reason why the battalions should not preserve the traditions of the regiments to which they belong; they would be in much the same position as the present British regiments and batteries in India, and would serve under the rules framed by the War Office. The great advantage would be that it would enable India to have a force composed of men of longer service than at present, and it would, if properly worked, obviate all the disadvantages of which the War Office complain. Undoubtedly there are disadvantages to this as to any other plan, but I know that many regimental officers wish that some such plan could be framed, and they deprecate in the strongest way the manner in which the regiments and batteries are now practically broken up on return to England after a very long tour of service in India.

60. I do not concur in the depreciation of Eurasian regiments. We have had very good corps of Eurasians in the Indian Army; I have explained why they have not yet been reconstituted; but I am strongly of opinion that it would be of great advantage to India, and to the Eurasian community if certain regiments and batteries could be used for local service. As to their being miserable and useless, they did admirable service in the mutiny, and I have no doubt that the volunteers, largely composed of Eurasians, would come to the front as before, if the occasion arose. I believe that the Government would render the greatest service to India and to the Eurasian community if some Eurasian corps were raised for service in India. Q. 13,382.

(Signed) E. H. H. Collen, Maj.-General,
Member of the Council of the
Governor-General,

Calcutta,
17th March 1897.

APPENDIX No. 88.

Provincial Contracts.

Handed in by Sir Charles Elliott, K.C.S.I.

I have been invited by the Royal Commission on Indian Expenditure to submit a Memorandum on the subject of Provincial Contracts; that is, the five-year Contracts made between the Government of India and the Provincial Governments as to the expenditure for which they shall be responsible, and the share in the revenues which they will retain to meet it. I understand that I am asked to speak as the exponent of the official view of the Provincial Governments regarding these Contracts, on the assumption that I may wish to express an opinion less favourable to the financial measures of the Supreme Government than that of Mr. Jacob, and more in accordance with the note struck by the utterances of Sir A. Havelock in Madras, and Sir A. Mackenzie in Calcutta, and with the tenor of the evidence given by the Indian witnesses who have appeared before the Royal Commission.

I wish, therefore, in the first place to state that I consider the evidence given by Mr. Jacob to be eminently fair and accurate, and I am in almost complete accordance with the opinions he has expressed. I hold that the principle on which these Contracts are made is sound, and it is natural that I should hold this view, as I had the principal hand (as President of the Finance Committee in 1886) in framing the Contracts which took effect in 1887, and the Contracts of 1892 were made on the same system, the basis of which was that the actual necessary expenditure of each Province should be ascertained, and a share in the revenue allotted equal to that expenditure, the Province being left to meet any growth in expenditure by the gradual increase in its revenue. There have no doubt been disputes and struggles as to the details involved in the calculations required for striking the initial equilibrium, but I do not think they amount to more than the natural differences of opinion which arise during such a process. As Lieutenant-Governor of Bengal, I protested vigorously against the estimated necessary expenditure which stripped me in 1892 of about 13 lacs of rupees, my principal objection being that the Government of India was at that time fairly prosperous, and under no overwhelming obligation to increase its receipts, and that it ought, *cæteris paribus*, to be content with the automatic growth of its share of the revenue just as the Provincial Governments have to be content with their share. But I did not and do not hold that I had any grievance against the Financial Department of the Government of India because my protest was unsuccessful, or that I was treated in any different way by them from the way in which I myself had to treat the different departmental applicants among whom I had to distribute what remained to me of the provincial revenue. There must always be two sides to such questions, and the ultimate decision must remain in the hands of the final authority. I am far from complaining of the manner in which the Provincial Contracts have been worked on the whole. I wish to take this opportunity of stating my conviction that the adoption of this system has been the greatest, most far-reaching, and most beneficial reform which has taken place during the period of 40 years which comprises my service in India. We owe it mainly to Lord Mayo, General Sir G. Chesney, Sir John and Sir Richard Strachey, and almost everything that has been done to decrease initiating correspondence, to relieve the Supreme Government of a burden it was unable to carry, to increase the power and responsibility of local governments, and to place the care of supervising both

the collecting and the spending departments in the hands of an authority directly interested in their good management, has flowed more or less distinctly from his decentralising reform.

At the same time there remains in it an elementary weakness which is not essential to the system, and which has lately been a ground of justifiable complaint, arising from the shortness of the period of the contract, and the frequent recurrence of the occasions for disputes over its revision. It is of this, as I understand, that Sir A. Havelock complained in Madras, and to this that Sir A. Mackenzie referred when he spoke of "the "provincial sheep being thrown on its back, close-"clipped, and shorn of its wool, and turned out to "shiver till its fleece grows again."* And again he said, "The normal history of a Provincial Contract is "this, two years of screwing and saving and postpone-"ment of works, two years of resumed energy on a "normal scale, and one year of dissipation of balances "in the fear that they will be annexed by the Supreme "Government." This complaint is unquestionably sound, and leads one to seek for a remedy in the prolongation of the Contract.

Mr. Jacob's evidence seems to me to avoid this point, and I do not find that he either directly pointed out the difficulty, or addressed himself to the question of how to meet it. The statistics given by him show how far it may be accurately said that the provincial expenditure is cut down by the revision of the Contract. For convenience sake I extract here his figures for the three great provinces for the two sets of years, 1886-7 and 1891-2, the last years of an expiring Contract, as contrasted with 1887-8 and 1892-3, the first years of a new Contract.

* Speech in Supreme Legislative Council, March 26th, 1886.

Year.	General Administration.	Law and Justice.	Jails.	Police.	Education.	Medical.	Other.	Total.	Miscellaneous.	Public Work.	General Total Expenditure.
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	12.	13.
					BOMBAY.						
1886-87	133	412	59	513	295	144	35	1,621	229	685	2,535
1887-88	135	437	54	537	288	146	24	1,621	221	620	2,462
1891-92	141	439	64	548	319	149	28	1,688	258	769	2,715
1892-93	141	437	65	530	319	161	26	1,679	264	668	2,611
					MADRAS.						
1886-87	120	393	88	392	191	165	41	1,390	240	600	2,230
1887-88	117	399	86	379	192	166	47	1,386	270	601	2,257
1891-92	129	430	98	416	248	246	58	1,625	250	824	2,699
1892-93	128	449	103	422	261	249	58	1,670	255	833	2,758
					BENGAL.						
1886-87	175	795	167	470	337	140	33	2,208	276	768	3,252
1887-88	172	794	153	480	352	145	34	2,222	276	645	3,143
1891-92	191	848	202	599	366	165	37	2,502	333	832	3,667
1892-93	195	853	211	611	359	171	37	2,531	338	775	3,644

The table shows that in Bombay expenditure was cut down by the Contract of 1887 by 73,000 Rx., which was almost entirely taken out of Public Works. In 1892 the expenditure was cut down by 104,000 Rx., 101,000 Rx. of which was taken out of Public Works. In Madras the expenditure of the province was not reduced by either of these Contracts, so no restriction was necessary, only a slackening of the general rate of growth. Bengal lost 109,000 Rx. in the first, and 23,000 Rx. in the second Contract, the reduction in both cases falling on the expenditure on Public Works. So far, then, as these figures go, they indicate that the department which has positively suffered by reduction has been that of Public Works; and that the expenditure on civil departments (cols. 2 to 10), was not actually cut down to any material extent, its normal growth was however arrested for the time. The result is not quite so accentuated as Sir A. Mackenzie's protest would lead one to expect, but the arrest or reduction of expenditure is a serious misfortune to a province, and the uncertainty of mind created by the prospect of such a revision is an evil in itself, and is hostile to the undertaking of any considerable plans of reform or expansion.

For many years I have urged that this defect in the system of framing provincial Contracts should be cured by making the Contract a continuing one, not subject to periodical ruptures and renewals, unless some grave cause for alteration arose. As President of the Finance Committee, I drew up in 1886, a scheme for altering the system in this respect, which was supported by some of the members and opposed by others, notably by Sir J. Westland, and the decision of the Government of India was that the subject was too large and required too careful discussion to be dealt with at the time, and that the Contracts about to be framed must be on the old basis.

In 1888, when I was a member of Council, I revived the plan, and Sir J. Westland, who was then Financial Member, agreed with me for the most part; the suggestion was made to the Provincial Governments, but was not, I believe, accepted by them, or by most of them, but I have not got and do not remember seeing their replies. This is, I presume, the scheme which has been referred to by the Indian witnesses, Messrs. Surendranath Banerjee, Gokhale, and others, though in what form it was published, or how it came to their ears, I do not know. The main outlines of the scheme were these: All departments were to be classed as either Imperial or Provincial. The Imperial Government was to retain the charge of the Imperial Departments, both revenue and expenditure. The Provincial Governments were to receive charge of the provincial departments, both revenue and expenditure; but were to pay out of the surplus of the revenue a contribution to the Imperial Government equal to the deficit on the Imperial Departments, so that both should be placed in equilibrium. The contribution would necessarily bear a certain percentage to the Provincial Revenue, and this would be set down as the initial and standard ratio. Thus, at the starting point, the financial position would be the same as that now occupied at the beginning of every five years' Contract, the revenue and expenditure, Imperial and Provincial, being in equilibrium under either system. But my scheme postulated that there would be no periodical revision: the relation thus established once for all should continue to run on until disturbed by any catastrophe or convulsion, such as war or famine, or any considerable loss by exchange. The Imperial Government should, in my opinion, be under similar restraints as to the growth of its expenditure to those to which the Provincial Governments are subject. Just as the Provincial Government which desires to incur larger outlay on its police, or on education, or any other head, has to look to the growth of its revenue to provide it with the means for so doing; so the Imperial Government, if it desires to spend more on the improvement of the army, the post, the telegraph, or any other department, should look to the increase of its own revenue, and of the share it takes of provincial revenue, to provide the necessary funds. Thus in the parting speech made by me in

1895, which Mr. Surendranath Banerjee quotes, I said that in the five years 1892–7 the Government of India received from Bengal (1) the special benevolence of 10 lacs, (4) the amount by which they cut down our Contract at revision, about 13 lacs, which in the five-year period came to 67 lacs, (3) their share in the steady growth of revenue, which I calculated at 51 lacs. My contention was that they ought to be satisfied with (3), and that as we had to meet the gradual expansion of expenditure in Provincial Departments out of our share in the growth of revenue, 51 lacs, or whatever the figure was, so the Supreme Government ought to be satisfied with 51 lacs drawn from us, together with what it drew from other provinces, and from the departments administered by itself, to meet expansion in its own sphere of expenditure. From my point of view they ought not to have taken (1) and (2) at all, unless under the pressure of some abnormal necessity. Such necessity was likely to occur from time to time in the shape of war, famine, and loss by exchange. In such cases, according to my scheme, the Government of India would proceed, not in the crude way, classed above as (1), by annexing the balances of any provinces wealthy enough to have such an accumulation, nor in the arbitrary way, classed as (2), by "lowering the adjusting grant," so as to leave the province with a lessened income, but by enhancing the ratio of the provincial contribution all round. Thus, to quote the instance given in my minute of 28th May 1888, the figures for 1886–7 stood as follows:—

Imperial expenditure, 54,126; revenue, 35,328; deficit, 18,790.

Provincial expenditure, 22,997; revenue, 42,009; surplus, 19,012.

The provincial contribution was Rx. 19,012, or 45·2 per cent. of their revenues. This ratio was not to be altered from year to year, nor at the close of every five years, but was to hold good as long as conditions remained normal, both Imperial and Provincial Governments being forced to confine their expenditure within the limits of the growth of their respective revenues. But, if abnormal conditions intervened and the Imperial Government was compelled to find increased resources to meet inevitable increase of expenditure, then it would be justified in calling on the provinces to supply its wants by raising the ratio of contributions from 45·2 to whatever might be necessary, and at the same time practicable, to meet the deficit. The increase in each case being the same, there would no longer be jealousies created (as now) from the belief that one province was being more harshly treated than another, or called on to pay a larger contribution than is fair. Revision carried out in this way would still produce a check in the development of the Provincial Departments, but it would be more willingly submitted to when it was seen to be the result of a calamity which had befallen the Central Government, in which all Provincial Governments would feel that they ought to share.

One objection raised to this scheme at the time, was that some provinces being poor, and some being rich, it would not be fair to impose an equal turn of the screw on all alike. I do not, however, think that this has any practical validity. No province thinks itself rich, when its responsibilities are weighed against its resources, and each resents the imposition on itself of a larger share of the Imperial deficit than is borne by others. No attempt has ever been made to compare the wants of one province with another on a theoretical basis, and to establish them all on a common footing of financial prosperity. In each Contract the existing status has been taken as a starting point, and some addition, greater or smaller, has been made to their existing income or expenditure; it is, therefore, no argument against my scheme that it does not seek to remedy existing inequalities, but accepts the actual position and the actual ratio. Except in 1886, no attempt has been made to argue out with each province the data for the future Contract, and to convince them that the proposals of the Government of India are fair; and even then, no opportunity was given to any province to compare the proposals which concerned its finances with the terms offered to other provinces. In 1891, when Bengal was called on to surrender 13 lacs from its income, no argument was adduced to show why the Government of India should need that 13 lacs for enlarged expenditure on its departments more than Bengal needed them for its own departments. It was the arbitrary character of the demand, and the despotic manner in which a so-called, but involuntary Contract was forced on an unwilling Government, which gave especial offence; and this offence my scheme would avoid. I assume that the Government of India would come forward with the proof that, on account of war, famine, or exchange, a deficit of so many crores had accrued. They would say, "we propose to meet so much of the deficit by loans, or by fresh taxation, as the case may be; but so much of it remains, which we call on you, on account of your solidarity with us, to share," and it would only be necessary to see that that amount was one which the provinces could bear without serious injury. I assume that the Government of India would not call on them to pay more than they have paid in similar financial crises; only it would exact it in a more definite and logical way, after giving proof of the necessity for its action.

I will not attempt to recapitulate all the arguments, *pro* and *con.*, which were brought forward during the discussion of 1888, for they are borne on the official records, and many of them seem now to be obsolete or trivial. I will only refer to those objections which were urged by Sir J. Westland in his speech on the 26th March 1897, in answer to the complaints made by Sir A. Mackenzie and other speakers. His principal objection was based on the uncertainty of the future, and he argued that if the periodical revision were abandoned and a permanent Contract made, it must be an entirely one-sided one. "It is a Contract which "must be based on these terms, that if everything is "successful, and if the Local Government finds its "revenues sufficient for the increase of its expenditure, "then the Contract would remain good. But if the "Local Government through any calamity loses its "revenue or finds an excess of expenditure over "revenue, which is perfectly unavoidable, then the "Government of India would have to come forward "to help it. The Contract can be permanent only in "the cases in which its permanency favours the Local "Government." I know not what scheme Sir J. Westland had before his mind at the time he spoke these words, but it certainly was not my scheme, for I advocate, not a permanent Contract, but one which endures only while conditions remain practically unchanged: and I make special provision for the necessity of revision under the stress of calamity. The cases I have mentioned are those where the deficit occurs in the Imperial Exchequer, as this is the ordinary case; but if the deficit occurs in the Provincial Exchequer, the same principle of the treasury fund could be applied, only the fund would turn in the opposite direction; or, if relief were wanted not by all provinces alike but only by one, special temporary arrangements could be made for relaxing the ratio of contribution for a time and restoring it to its old figure when the difficulty had passed away.

I will only add here that I trust such a retrograde step will not be taken by the Government of India as that indicated in Sir J. Westland's speech on page 165 of the Blue Book of 4th May, 1897. He said, "It "strikes me that it would be well to separate off the "whole of this class of expenditure" (viz., for sanitary improvements) "whether it is inclusive of local "taxation or out of the general revenue, into a sepa-"rate account, and in respect of that separate account "to make a permanent assignment from general "revenues to the Local Government." To do this would be to go back to the principle of the first Contract, when certain spending departments were made over to the Local Governments and a lump sum given to cover their expense. Now great as was the advance made by the first Contract over the previous state of things, it was hardly greater than that made by the second Contract (1877), when revenue was made over as well as expenditure, and the Local Governments were encouraged by personal interest to watch over the growth of the one as well as to restrict the growth of the other. I trust that no attempt will be made now to throw back to a system of Contract which has long been condemned and superseded.

I will only say in conclusion that my object is not to bring forward my own special theory, but to urge that, whether in this or in some better way, the two reforms most needed in the mode of framing the Provincial Contracts should be carried out. First, the period of

the Contract should be made much longer than five years, and if possible its basis should be permanent, subject only to revision of the ratio of contribution when proved necessity exists. Second, the Imperial Government should submit itself to the same financial exigencies as the Provincial Governments are subjected to, *i.e.*, it should in ordinary cases meet the growth of expenditure in Imperial Departments out of the growth in Imperial revenue plus provincial contributions.

APPENDIX No. 89.

MR. JACOBS' EVIDENCE TENDERED ON THE 21ST JULY 1897.

(A rejoinder by Mr. D. E. Wacha.)

Q. 20,186.—In reply to my answer to Question No. 17,150, as regards the great delay on the part of the Indian Government to make available to the public the annual Civil Estimates, Mr. Jacob observed that "the statement is not correct" and that "the volume containing all the Civil Estimates is published about June." By June, I presume, is meant the month of June following the presentation of the annual Financial Statement made in March. Mr. Jacob then gives the respective dates on which the Civil Estimates of each Presidency and Province for 1896-97 were "printed off."

In the first place, "printing off" the several estimates for the different provinces is one thing and publishing and making them *available for the public* is a different thing. Because the Government "printed off" the different estimates on the dates mentioned, it does not necessarily follow that the public could buy them.

In the second place, it is somewhat difficult to understand what Mr. Jacob means when he says "the volume containing all the Civil Estimates is *published* about June." Taking the sense of the word "published" in its ordinary acceptation, I presume that when the volume is published, it is immediately made available to the public. If it be published but *not* made available to the public, then it cannot be said to be published in the ordinary English sense of the word. Assuming that "published" means made available to the public, I may inform the Commission that the only way in which the public, including my own Association, can ascertain the fact is by a constant reference to the advertisements for sale of all official publications of the Government of India in the columns of the *Gazette of India* from week to week. It is *the* only paper in which such publications are offered for sale. A reference to this *Gazette of India* shows that the following are the dates on which the volume of Civil Estimates for the four years ending 1896-97 were for the *first time* advertised:—

For 1893-94 on 2nd September 1893.
" 1894-95 " 12th October 1895.
" 1895-96 " 21st December 1895.
" 1896-97 " 19th June 1897.

It will be seen that the volume for 1893-94 was advertised for the *first time* as being available to the public about *three months later* than the month in which Mr. Jacob states the Civil Estimates are usually published. The volume for 1894-95 was similarly advertised for sale for the *first time* on 12th October 1895, that is, *sixteen months after date*. The volume, according to Mr. Jacob, should have been ready for *public use* in June 1894. As a matter of fact it was not so ready till 12th October 1895! Again, that for 1895-96 was published for the *first time* on 26th December 1895, that is, *six* months after date. Lastly, the volume for 1896-97 was *first* advertised on 19th June 1897 or fully twelve months later. The volume for the current financial year (1897-98) is *not yet* published. My Association had lately written to the Superintendent of the Government of India Printing Press to be furnished with it, along with other publications. In sending his bill for other publications, he referred in a note as follows regarding the Civil Estimates for 1897-98:—

"Civil Estimates for 1897-98 have not yet been published."

Up to the date of forwarding this paper the Estimates for 1897-98 had not been advertised for sale.

Under the circumstances the Commission will no doubt admit that my complaint that the Civil Estimates are not made available to the public for well nigh a year is more than justified. In two out of the four instances they were retarded for fully 16 and 12 months!

As I am on this subject I may be permitted to remark that Mr. Jacob does not seem to have offered any explanation on behalf of the Government of India regarding the Military Estimates, of which, too, I had complained in my examination-in-chief. These are not made available at all. If stores estimates, telegraph estimates and public works estimates (military) are made available, why not the Military Estimates? if in England these estimates are published for general information, and could be had for a few shillings, what is there to prevent the Government of India following that example? It would be idle to allege that the publication is withheld in public interests when those very interests loudly demand them, bearing in mind the annually increasing cost of the army charges which have been the principal cause of the embarrassed condition of Indian finances for the past few years. Or is it that the estimates are withheld to prevent public criticism?

Q. 20,187.—With reference to Mr. Jacob's answer to this question, I beg to recall to the mind of the members of the Commission question No. 17,234 put to me by Mr. Courtney. I am sorry that the real gravamen of my answers in reference to my suggestion for an exchange reserve fund should have been so greatly misunderstood, as is evidenced by Mr. Jacob's reply. I never said that Finance Ministers had been too sanguine in taking the rate of exchange in the annual budget from 1872 to 1893. This allegation of sanguineness is not mine but Mr. Courtney's. It was he who put me the question, though I had nowhere made the statement. My answer to question 17,234 is clear. And I made it clearer still in my subsequent replies on the same subject, as will be seen on a reference to them. The gist of my observations was that inasmuch as Finance Minister had in recent years bewailed the fluctuations of exchange, to which they generally attributed either deficits or surpluses over budget estimates, it would be more prudent to take exchange at as low a rate as was possible, taking past years' experience into consideration, so that it may not lie in the mouth of these high officials to attribute every disturbance in the budget chiefly to exchange. In support of this statement I quoted Sir Auckland Colvin's metaphor about the lodging house cat. I must, therefore, repudiate the meaning which Mr. Jacob has endeavoured to attach to this part of my evidence. Hence also the table he submits in support of it is simply superfluous and has no bearing on my point. The same observations are equally applicable to Mr. Jacob's reply to question No. 20,188. When he remarks on my selection of the year 1896-97 as being "unfortunate," and when he quotes an extract from the Financial Statement he is simply labouring under a misapprehension, if not somewhat leading the Commission astray. The year 1896-97 was pointed out by me as an illustration *not* of the rate of exchange being taken high or low, but of the practice of prematurely disposing of a surplus chiefly arising from a better realised rate of exchange or "improvement," as it is styled in official parlance. This will be clear if the Commission would carefully go over my whole reply to questions No. 17,253 and 17,254. I there pointed out an instance of the evil arising from such a disposal. No sooner was half a crore remitted on cotton duties and half a crore voted away for mobilization than the Government had to contend with a deficit arising from famine. Moreover, in giving that illustration I was only supporting the statement almost to the same effect of no less a witness than Sir David Barbour, an ex-

Finance Minister, that there was a desire to utilise rather very prematurely so-called surpluses. (*See* Q. 1928-9.)

But there is one statement at the very conclusion of Mr. Jacob's reply to question No. 20,188 on this point to which I beg to submit a rejoinder. Mr. Jacob, while admitting the disposal of the improvement of a crore, says half was utilised in reducing taxation (reduction of import duty on cotton goods from 5 to 3½ per cent.) and the other half "assigned to meet a charge which had long been pressed upon the Government, and which was not of a recurring nature, so that it did not affect the financial position beyond the current year." As to the remission of the duty of 1½ per cent. on cotton goods, I observed, in my reply to question No. 17,253 hat it was in defiance of the entire public opinion of India, European and Native. There was absolute unanimity that the cotton duty should not be reduced. Surely a better example of hasty and ill-considered sacrifice of revenue could not have been shown in support of my contention. And as to the half a crore voted away on mobilisation, it is no answer to my contention to say that it was not to be a recurring charge and that it only affected the finances for a year. Whether it affected it for a year or ten years is not the point at issue. The point is whether even that vote was justifiable in a year in which the Government, according to its own interpretation of the country's need, but not of the public, reduced the famine grant by half a crore. Was it not a charge which could have been suspended till more pressing demands had been satisfied? But it is notorious that the half a crore was given away because the military advisers of the Government were trying to have a permanent occupation of the Chitral valley which has since been the scene of heavy carnage and has led to another large sacrifice of revenue by way of an expedition against the Swats. But I go further and say that it is not even correct for Mr. Jacob to observe that this was a "charge which has been long pressed" upon the Government. This mobilisation finance has a history of its own, which I will briefly recapitulate here for the information of the Commission. It was in the Financial Statement of 1888-89 that Rx. 203,500 were put down for mobilisation which was an entirely new expenditure. Sir David Barbour, the then Finance Minister, observed as follows in reference to its necessity:—"The Rx. 203,500 on account of mobilisation is intended to meet the cost of purchasing transport animals, provisions and equipment, so that in case of need, an army corps may be in a position to take the field promptly * * *The greater portion of the cost will be incurred once and for all and will not recur*? And yet what happened? The grant proved insufficient and straightway another sum of Rx. 60,000 was voted in the budget of the following year, apart from the justification of this expenditure on which Military experts are divided, many holding it to be a pure waste of public funds, like all other expenditure on punitive expeditions and military railways hither and thither. Then was again voted Rx. 80,000 in the revised estimates for 1891–92 for "additional transport mules," Rx. 52,100 for "remount and ordnance mules," and Rx. 213,500 for "expenditure in India in preparations to facilitate mobilisation." As if this sum of Rx. 345,600 was not enough, after the previous outlay above referred to, the Financial Statement for 1892-93 voted Rx. 61,600 for further "measures intended to facilitate the speedy mobilisation of the army." And yet three years later we see this half a crore again noted! If may be reasonably asked, from the taxpayer's point of view, what became of the Rx. 609,100 sanctioned between 1889–90 and 1898–93? Has the Government and account to give of the transport, provisions any equipment purchased with that sum? The statemen that the charge of half a crore last voted is "not of a recurring nature" is liable to be accepted with entire scepticism after the recurring expenditure which has been going on since 1888-89, despite the solemn assurance that it was not to be of a recurring nature. Sir James Westland has said the same, but I leave it to the Commission to infer from the above facts whether the last expenditure should have been so hastily voted on an object which appears to be quite open to serious poubts as to its utility. And it may be further asked whether there is any guarantee at all that expenditure of a like character will not recur?

Q. 20,193.—As to Mr. Jacob's reply to this question and the table submitted by him in support of it, regarding the discrepancy in my own figures of army net charges (exclusive of exchange) during the 10 years ending 1894-95, I may here state how I arrived at the total of Rx. 37,494,770. I should have easily furnished the particulars now submitted had Mr. Jacob asked an explanation in reference thereto. No doubt he did ask for explanation regarding certain other figures, both verbally and in writing, and I dare say he would be the first to admit that I readily offered explanation on all items which needed elucidation. But so far as my recollection goes, I am not aware of his having requested me to give any explanation on these figures. Even assuming for a moment that he did, and that it escaped me, nothing could have prevented his sending me a reminder, as my address was known to him. So also the fact I was not to leave London till the end of June.

Now as to the figures themselves. Here they are:—

NET ARMY CHARGES (EXCLUSIVE OF EXCHANGE) FOR 1894–95 to 1895-96.

	Net Charges for a year. Rx.	Rx.
(1) Army Charges, Effective	156,185,735	
(2) Do. Non-Effective	28,865,736	
(3) Military Works - -	10,729,160	
	195,780,631	= 19,578,063
(4) Special Defences in 9 years = Rx,	3,721,748	= 413,527
Total net per year		= 19,991,590

NET ARMY CHARGES IN 1884-85, EXCLUSIVE OF EXCHANGE.

	Rx.	
(1) Effective - - -	120,48,207	
(2) Non-Effective - -	3,134,674	
(3) Military Works - -	909,232	
		= 16,092,113
Difference (being increased) per annum		= 3,899,477
	Rx. 3,899,477 × 10	= 38,994,770
Deduct about Rs. 1,500,000, estimated in round numbers for increase (in 10 years) of exchange of soldiers' pay on the normal army expenditure as it was in 1884–85 - -		1,500,000
Balance - -		37,494,770

These totals, of course, show a difference of Rx. 3,556,770, compared with those given by Mr. Jacob in his table. I attribute the discrepancy chiefly to the item of exchange on deferred pay of British troops. It is for the Commission to take that into account or not. I thought I was fairer in excluding it, as the point I made out in my reply to Question No. 17,347 would be *more favourable* to the Government than it would otherwise be. But, assuming that it should be taken into account, then I may observe that my point in no way loses its emphasis. That point, as the Commission is, no doubt, aware, is this: that but for the disturbing factor of increased military expenditure, the revenue might have fairly borne the annually increasing burden of exchange without the imposition of any new taxation. This point does not lose its value even if Mr. Jacob's figures of net military expenditure, without exchange, are accepted by the Commission. My table, as amended, would then stand as follows:—

		Rx.
Net expenditure in 10 years - -		548,854,292
Deduct increased Army expenditure over 1884–85, exclusive of Exchange (according to Mr. Jacob's figures) -		33,938,000
		514,916,292
	Rx.	
Net revenue in 10 years -	540,319,618	
Deduct new taxation (according to Mr. Jacob's figures) - - -	22,316,000	
		524,003,618
Net Surplus -		9,087,326

Thus the net surplus would come to Rx. 9,087,316, against Rx. 8,553,153, as per my original figures. But in those figures I deducted from the total revenue not only the amount of new and enhanced taxation, but also the famine grants suspended and the provincial balances which were not refunded. These amount to Rx. 5,410,114. If this sum were added to the amount of increased taxation, according to Mr. Jacob's figures, the total to be deducted from the total revenue would be 27,726,114 (22,316,000 + 5,410,114). In that case the accounts would stand thus:—

	Rx.
Net Expenditure in 10 years, less net increased Army expenditure, without exchange - - - -	514,916,292
Net revenue in 10 years, less taxation, suspended famine grants, and provincial balances not refunded -	518,593,504
Net Surplus -	3,677,212

My statement, that but for the increased Military charges the burden of increasing exchange could have been fairly borne by the revenue without taxation, may be demonstrated in another way, on the basis of the figures given by Mr. Jacob in his reply to Question No. 20,193.

	Rx.
Firstly, the total Military expenditure during the decade, *including* exchange, was - - - -	220,541,000
But the total *Net* Military expenditure, *excluding* exchange, was - -	193,168,000
Difference, being exchange on Army Charges - -	27,373,000

This amount was owing to increased Army Charges. Now, had the Army charges remained at the figures they were in 1884–85, the total Army exchange in 10 years would have been as shown below:—

	Rx.
Army Charges, *including* exchange -	17,058,000
,, *excluding* ,, -	15,923,000
Difference, being exchange -	1,135,000
This is the exchange for one year. For 10 years it would be - - -	11,350,000
Add, at a rough estimate, the additional charge for lower exchange during the decade on the Army Charges as they stood in 1884–85 - - -	1,500,000
Exchange which would have been payable on the basis of Army Charges in 1884-85 - - - - -	12,850,000

Thus:—

Increased exchange on account of increased Army Charges during the decade is - - - -	27,373,000
Increased exchange on Army Charges as they stood in 1885 would have been -	12,850,000
Difference, being increased Army exchange over 1884-85 - -	14,523,000
Total increase of exchange on all heads during the decade - - -	43,276,000
Deduct increase of exchange on account of increased Military expenditure -	14,523,000
Net burden of exchange which the revenues might have borne without new taxation - - -	28,753,000
I have stated above that new and enhanced taxation and suspended famine grants plus provincial balances encroached amount to - - -	27,726,114
While the net burden of exchange, as above, would have been - -	28,753,000
Difference - - -	1,026,886

The difference which might have been met is small indeed, only 102,688 Rx. for a year, so that it will be readily conceded that practically revenue and expenditure during the decade would have been met without any extra taxation or other financial shuffling.

Q. 20,203.—I am afraid there has been some confusion in reference to what I observed to the Commission in reply to Question 17,474 on the final results of the working of railways. Mr. Jacob is right in observing in his reply (Q. 20,203) that the figures of the Railway Administration Report agree with those of Finance and Revenue accounts. At the time that I made my reply I was under the impression that the net losses on Railways worked out in the Administration Report were somewhat different from those which I worked out from the Parliamentary Return of Revenue and Expenditure of 27th March 1896. I formed this impression because at the time I had not tallied the latter with the former figures. The impression, however, was originally formed on account of the manner in which the losses were worked out in the table at page 708, appended to the Report of the East India Railway Committee of 1884. In his evidence (Q. 9640 to 9644) Mr. Jacob, when asked to state what the actual loss the Government had incurred on all railways from the date of their construction (1848) replied that he was not aware. He could only give information from 1858. The Commission thereupon asked him to refer and give the necessary figures later on. Having read this evidence, I recollected all about this table, presented to the Parliamentary Committee of 1884, which I had formerly perused. When I gave my evidence, I was not aware of the tables on this subject which Mr. Jacob had later on furnished, and which formed one of the appendices. In fact, it was Sir J. Peile who drew my attention to it during the course of my evidence. The remarks made by me in reply to question No. 17,477 were, therefore, made in consequence of the original impression I had formed from the Parliamentary Committee table. My only regret is that I did not tally the Parliamentary figures in the Return of March 27, 1896, with those of the Railway Administration reports. I was misled by the Parliamentary table of 1884, as it seems the later accounts have been made up somewhat differently.

As to Mr. Jacob's further observation (same question No. 20,203) that the figures given by me in reply to Question 17,480 are incorrect, I beg to differ from him. The figures are correct, but the mistake on his part has arisen from his taking my figures as if they related to all the railways, whereas I referred only to the Guaranteed State railways.

Q. 20,205.—Here, also, Mr. Jacob says that I am not correct in the statement I made in reply to Question 17,568, that the Government has not borrowed at 9 per cent. The highest rate at which it has borrowed was 5½ per cent. I maintain that I am perfectly correct in my statement. The Chairman in his question Nos. 17,566 and 17,567 had been "referring to current rate of interest in India": and I replied to him that the Government had never borrowed loans at 9 per cent., which is an absolute fact. But Mr. Jacob says the Government had borrowed at 6 per cent. True, but surely that borrowing has not been within recent times? I know at this rate the Government borrowed about 25,000,000 Rx. in the years 1820–21 and 1822, and again about 350,000 Rx. in 1855–6, 1857, and 1858. But no borrowings have been effected at 6 per cent. during the last 40 years. If the Chairman had asked me whether *at any time* in British Indian history Government had borrowed at that rate, I should have replied in the affirmative. But, as I understood him, and the tenor of the question is quite plain, that he only asked whether in *recent* times loans had been taken at the rate, I replied in the negative. My reply is absolutely correct.

APPENDIX No. 90.

MR. JACOB'S EVIDENCE, tendered on 21st July 1897.

(A rejoinder by Mr. G. K. Gokhale.)

The first half of the additional evidence, tendered by Mr. Jacob on 21st July 1897, deals with the subject of Provincial Finance, and is intended to be a defence of the existing system from the point of view of the Government of India. There is little or nothing in this portion which directly challenges anything I have said on the subject, but as Mr. Jacob's statement of the case is likely to lead to conclusions conflicting materially with those which I have endeavoured to press on the attention of the Commission, it is necessary for me to offer the following criticism on this portion of Mr. Jacob's supplementary evidence.

Replying to the criticisms of the Indian witnesses generally, Mr. Jacob contends that the existing contract system has, on the whole, worked satisfactorily, and in support of his contention, puts in two tables, comparing the growth of Imperial and Provincial expenditure during the past 15 years, and showing as a general result that while the Imperial net expenditure has grown but 7·7 per cent., the Provincial net exhibits an increase of 19·6 per cent.—*exchange being excluded from the account.* Evidently with such results before us, argues Mr. Jacob, it is correct to say that the Provincial services have been starved under the system. And he claims that as far as the resources of the Government have been available, the figures show that the Provincial Governments have had their full share of them.

I submit, however, that Mr. Jacob's comparison is not a fair one, for the following reasons:—

(*a.*) I think that Mr. Jacob's contention, that exchange ought to be excluded for purposes of this comparison, is not a sound one. Mr. Morgan Browne has already shown satisfactorily, in his evidence, that although exchange is responsible for some deterioration in the financial position of the Government of India, the increase in military and other expenditure is even more responsible for the result. From the taxpayer's point of view, moreover, it is the same thing to him whether his rupee is spent by the Government of India in meeting loss by exchange or in defraying the expenses of some frontier expedition. All he sees is that of the total amount that he contributes to the Government Exchequer, a continually increasing proportion is appropriated by the Imperial Government in whose expenditure his interest is comparatively remote, and that a continually diminishing proportion falls to the lot of the Provincial Government in whose expenditure he feels a direct and immediate interest. If exchange is not omitted from the account, it will be seen that the Imperial net expenditure has grown by 24 per cent. as against a growth of 19·6 per cent. in the Provincial net.

(*b.*) Assuming, however, for the sake of argument, that exchange, as given by Mr. Jacob in his reply to Q. 19,887, is rightly excluded from the calculation (though even then the criticism must remain that Government might have kept down the charge by avoiding, as far as possible, increase of sterling liabilities and home charges), there can be no justification for leaving out of account the railway and irrigation net charges. However these services may be financially regarded, the net loss accruing to the State on their account year after year is not debited to the capital account of the works but is paid out of the current revenues of the country. And if this charge is to be left out of account in making the comparison, almost every other charge might be omitted on the same principle.

The following Table (A) gives the net result of the Railway and Irrigation Account for the three quinquenniums from 1882 to 1896:—

TABLE A.

RAILWAY AND IRRIGATION ACCOUNT.

Net Result.

Year.	Gross Expenditure.	Receipts.	Net Expenditure, or Loss or Gain to the State.	Average.	Increase.	Net.
1882-83	13·59	12·49	− 1·10			
1883-84	12·81	13·56	+ ·75			
1884-85	15·19	13·57	− 1·62			
1885-86	16·71	15·27	− 1·44			
1886-87	17·97	16·13	− 1·84			
Total	—	—	− 5·25	1·05		
1887-88	19·11	16·24	− 2·87			
1888-89	20·37	17·42	− 2·95			
1889-90	21·11	18·59	− 2·51			
1890-91	20·66	19·40	− 1·25			
1891-92	23·19	22·21	− ·98			
Total	—	—	− 10·56	2·12		
1892-93	23·86	21·49	− 2·37			
1893-94	24·69	22·59	− 2·10			
1894-95	26·54	23·58	− 2·96			
1895-96	26·45	24·15	− 2·29			
1896-97 (Revised.)	26·22	23·36	− 2·86		1·05	1·46
Total	—	—	− 12·58	2·51	2·51	

(*c.*) Further, Mr. Jacob's comparison is rendered unjustifiably unfavourable to the Provincial administrations by the inclusion of two items of expenditure in the Imperial expenditure table, which, fairly speaking, ought not to be there, viz., *Interest* and *Famine Relief and Insurance.* Interest is a diminishing charge, owing (1) to conversion operations rendered possible by favourable conditions of the money market, and (2) owing to a feature of the Indian accounts which take all Public Works grants from annual revenues in reduction of rupee-debt. As to famine insurance, Government itself has so often described it as being in the nature of a surplus reserve (to be provided only when there is a surplus) and it has been so changing in amount, that it is manifestly unfair to include it when exchange has been excluded. The Provincial Government, it should be borne in mind, have no such elastic and variable items of expenditure.

The following Table (B) gives the figures of Imperial net expenditure *minus* net interest and famine charges for the three quinquenniums:—

TABLE B.

NET IMPERIAL EXPENDITURE.

In Millions and Decimals of Millions.

Years.	Imperial Net Expenditure, excluding Exchange.	Net Interest and Famine Charges, included in (2).	Imperial Net Expenditure, excluding Exchange and Interest and Famine Charge.	Quinquennial Average.	
1.	2.	3.	4.		
1882-83	27·23	5·27	21·96		
1883-84	27·44	4·94	22·50		
1884-85	26·27	4·74	21·53		
1885-86	28·99	4·36	24·63		
1886-87	27·21	3·01	24·20		
Total	137·16	22·32	114·82	22·96	
1887-88	28·09	3·40	24·69		
1888-89	26·90	2·80	24·10		
1889-90	7·66	3·18	24·48		
1890-91	28·57	2·75	25·82		
1891-22	30·87	3·58	27·26		
Total	142·13	15·71	126·38	25·27	
1892-93	30·33	3·12	27·21		
1893-94	29·74	30·9	26·65		
1894-95	28·47	2·75	25·72		
1895-96	29·73	1·85	27·97		
1896-97 (Revised.)	29·51	2·34	27·17		Increase. Net. — 22·96 } 3·98 26·94 } or 17 per cent.
Total	147·79	13·16	134·72	26·94	

Comparing 1882-83 with 1896-97 (revised)—
21·96 } 5·21 increase during the period,
27·17 } or
23 per cent.

TABLE B 1.

VARIATIONS IN INTEREST AND FAMINE CHARGES.

	Net Interest Charge, exclusive of Exchange.			Famine Relief and Insurance. In Millions and Decimals of Millions of Rx.		
1882-83	3·79			1·48		
1883-84	3·45			1·49		
1884-85	3·20	Total for 5 years. 16·05	Average. 3·21	1·54	Total for 5 years. 6·27	Average. 1·25
1885-86	2·90			1·46		
1886-87	2·71			·30		
1887-88	3·33			·09		
1888-89	2·73			·07		
1889-90	2·65	13·21	2·64	·53	2·52	·50
1890-91	2·16			·59		
1891-92	2·34			1·24		
1892-93	2·07			1·05		
1893-94	1·98	Total for 4 years. 8·47	2·11	1·11	Total for 4 years. 2·31	·57
1894-95	2·16			·59		
1895-96	1·26			·56		
1896-97 Revised	·79			1·55		

Mr. Jacob's table for Imperial expenditure—corrected as suggested above, *i.e.*, by the inclusion of railway and irrigation net charges on the one hand, and by the exclusion of interest and famine expenditure on the other, would show, as per Table C., that the Imperial net expenditure has risen from 23·91 crores to 29·45 crores during the past 15 years, which gives an increase of 5·54 *crores on* 23·91 *crores, or fully* 23 *per cent.*, as compared with the provincial net, which has increased from 11·53 *crores to* 13·79 *crores, or* 19·6 *per cent.*

And this is excluding the exchange given by Mr. Jacob in his reply to *Q.* 19,887.

These per-centages of proportional growth of Imperial and Provincial expenditure are, however, a matter of secondary importance. The important question for the Commission to consider is, whether the distribution of services between the Imperial and Provincial Governments being what it is, the present distribution of the national resources between them is just and equitable. It is suggested in one place by the chairman, that if the Imperial Government imposes extra taxation and thus increases its revenues, the Provincial Government have no right to expect a share in the proceeds of the extra taxation. If the questions were to be considered solely from the points of view of the Imperial or Provincial Governments, there would be considerable force in such an argument. But there is another standpoint from which also the question has to be looked at, viz., the taxpayer's standpoint. And as long as he considers that Provincial expenditure is more intimately connected with his welfare than Imperial expenditure so long the objection to increased Imperial expenditure, no matter how met, must remain.

TABLE C.

IMPERIAL NET EXPENDITURE.

In Millions and Decimals of Millions.

Quinquenniums.	Quinquennial Average as per Table B. (1.)	Railway and Irrigation Account, Quinquennial Average as per Table A. (2.)	Total of 1 and 2. (Net Results.)
1882-3–1886-7	22·96	1·05	23·91
1887-8–1891-2	25·27	2·12	27·39
1892-3–1896-7	26·94	2·51	29·45

1st Quinquennium - -	23·91
3rd „ - - -	29·45
Increase - -	5·54, or 23 per cent.

Q. 19,981.—Mr. Jacob mentions an increase of 39 per cent. in the expenditure on education in 14 years, I have not got his Table A. before me, and so I have some difficulty in understanding his figures, which do not tally with those given in the statistical abstracts. Mr. Jacob's figures are larger than those which denote purely Government expenditure on education, and smaller than those which represent Government and local rates expenditure added together. I imagine his figures are net and are obtained after deducting miscellaneous educational receipts from the total Government and local rates expenditure on education. If Mr. Jacob's totals be divided into Government expenditure and local rates expenditure, I feel confident the former will show a much smaller per-centage of growth than 39 per cent. In this connexion, I am surprised at Mr. Jacob stating that the existing provision for the education of the people in India is in excess of the requirements of the people, and is not fully availed of by them. Mr. Jacob says he speaks from personal experience in the matter. All I can say is that my own experience, and the experience of many others directly connected with the work of education, is diametrically opposed to that of Mr. Jacob, who will, moreover, see that his views on the subject are in direct conflict with the opinion emphatically expressed by Lord Ripon's Education Commission. This Commission, after a most elaborate inquiry, recorded that the educational expenditure of the country was wholly inadequate to meet its needs, and appealed in such earnest terms to the Government of Lord Ripon to increase its educational grant, that his Lordship issued special instructions to the Provincial Governments calling upon them to increase their allotments to education, and promising, where

necessary, aid from the Imperial Treasury for the purpose. This beneficial policy was, however, practically reversed four years later by the Government of Lord Dufferin, in a resolution to which I have already called the attention of the Commission.

Q. 24,005 *and following.*—Here Mr. Jacob indicates in rough outline to the Commission a proposal of the Government of India, which, if adopted, is, I fear, likely to throw back rather than advance matters. He suggests that what is purely local expenditure (*i.e.*, education, medical relief, roads, &c.) should be separated from the total of Provincial expenditure, and that a permanent grant from the Imperial revenues might be assigned in aid of such expenditure, a grant not to vary or increase with the increasing revenues of the country, but a fixed and permanent grant, and that it may be advantageously arranged that any further increase in the existing expenditure should be met from local resources. Such an arrangement, in respect of such important service, must, I submit, either lead to all stoppage of progress or necessitate additions to local burdens, though it will, no doubt, give relief to the Imperial Treasury. Neither result would be desirable, and independently, it would seem most unfair and inequitable to shut off such services from all participation in the benefit of the expending resources of the Empire.

Q. 20,044 *and following.*—With reference to Mr. Jacob's answers to these questions, the following figures will be of interest. They show that there is much more in the contention of the local Governments than what Mr. Jacob admits. The effects of a constant backward and forward movement in Provincial expenditure must be prejudicial to the real interests of economy and efficient administration.

CONTRACT OF 1882.

Year.	Total Revenue.	Total Export.	Surplus or Deficit.	Closing Balance.	Rx. (000s. omitted).
1882–83	16,334	17,235	−901	2,648	
1883–84	16,484	16,669	−185	2,115	
1884–85	17,557	17,488	69	1,862	
1885–86	18,186	17,577	609	2,237	
1886–87	18,201	18,025	176	2,126	
Total -	86,762	86,994	−232	—	
Average	*17,352*	*17,398*	—	—	
1887–88	17,534	17,265	269	2,395	
1888–89	17,839	17,634	205	2,600	
1889–90	18,341	17,849	492	3,092	
1890–91	18,055	18,360	−305	2,787	
1891–92	20,871	20,451	420	2,573	
Total -	92,640	91,560	1,080	—	
Average	*18,528*	*18,312*	—	—	
1892–93	19,580	19,842	−261	2,312	
1893–94	19,899	20,037	−138	2,174	
1894–95	19,641	20,077	−436	1,738	
1895–96	20,806	20,382	−424	2,162	
Total -	79,926	80,338	−411	—	
Average	*19,981*	*20,084*	—	—	

Q. 20,050–52.—With reference to Mr. Jacob's answers to these questions, and in further support of what I have already said on the subject, I beg to submit the following table to the Commission. The Commission will see from it how the different provinces stand at the present moment, in regard to the revenue they enjoy for Provincial purposes, and in regard to what they have to surrender to the Imperial Exchequer:—

Province.	Population.	Revenue, except undistributable. Imperial, Opium, Salt, Customs, Tributes, &c.	Provincialised, 1895–96. (000s omitted).	
			Revenue.	Expenditure.
		Rx.	Rx.	Rx.
Central Prov.	10,784,294	1,464,172	823	803
Burma - -	7,605,560	4,576,838	2,207	1,981
Assam -	5,476,833	1,171,685	669	639
Bengal - -	71,346,987	9,554,370	4,585	4,435
N.W.P.&Oude	46,905,085	9,567,512	3,166	3,306
Panjab - -	20,866,847	4,589,809	1,778	1,785
Madras -	35,630,440	9,596,739	3,295	3,251
Bombay -	18,901,123	7,977,549	4,280	4,179
Total -	—	Rx.48,498,000	20,806	20,382

Q. 20,054–50,171. — These questions are directed to ascertaining the position which natives of India occupy in the matter of employment in the higher branches of the public service. In his replies to these questions, Mr. Jacob has quoted the latest orders of the Government of India in regard to the various branches, and he has told the Commission what would happen when full effect was given to these orders. The interest attaching to his statement of the case is, however, largely diminished by the admission that "in every case some years must elapse before the "scheme can be introduced in its entirety, and in "some cases the period may extend to 20 or 30 years." As no one can guarantee that the present intentions of Government will not change in the interval, and in one case at any rate, they have so changed in the past, viz., in the matter of the statutory service, a discussion of what will be our position 20 or 30 years hence is likely to appear to some more academic than practical. A better way would, I think, have been for Mr. Jacob to state the present numbers of natives in the higher branches of the various departments, and then indicate how matters would improve for them, as greater effect was given to existing orders.

With due deference to Mr. Jacob, I submit that the manner in which he has presented his facts in this portion of his evidence is calculated to obscure the true issues involved in the controvery on this subject. This controversy is about the *higher posts* in the different branches of the public service, an expression not easily capable of an accurate definition, but perfectly intelligible to all in this country who take an interest in such questions. I do not think I should be assisting the Commission much if I were to say that the natives have a practical monopoly of everything which it is not worth an Englishman's while to have. And yet Mr. Jacob appears to me in several places to come perilously near such a statement of the case. The only posts which are of value and of which we may be said to have a monopoly are the deputy collectorships and the subordinate judgeships; and Mr. Jacob naturally makes a great deal of this point. But these posts have long been ours, and I am not aware of any controversy having been raised about them. Barring these posts, there are few appointments in the lower branches of the public service which it would be worth an Englishman's while to have, and all these, therefore, necessarily fall to the share of the natives of the country. But the controversy that has gone on now for a good many years is not about these ministerial posts or about deputy collectorships or subordinate judgeships. It is about the class of appointments to which the 93 posts specified by Mr. Jacob in his reply to *Q.* 20,055 belong in the judicial and executive branches, and to posts in the special departments corresponding to these and indeed many much lower than these. These are the posts from which all but a very few natives find themselves practically excluded, and their grievance is in respect of such appointments. In my evidence already recorded by the Commission, I have indicated how we stand in reference to these appointments in the different departments of the Bombay Presidency.

In *Q.* 20,087, the chairman asks Mr. Jacob if the new scheme of setting apart 93 posts (95 is evidently a misprint) for the Provincial service is not a more restricted one than the old scheme of the statutory service, Mr. Jacob says, in reply, that the objection is in the main a matter of sentiment. As a matter of fact, however, the *main* objection to the new scheme is that it gives us a considerably smaller proportion of the

"reserved" posts than had been secured to us by the Statutory rules of 1879. A very simple arithmetical calculation will make this clear. The rules of 1899 had secured to us *one-sixth* of the total recruitment for the Indian Civil Service, that for five men entering by the competitive door of London, one native was to be appointed to the service in India. It is clear that under this scheme, one-sixth of the total strength of the Civil Service would have ultimately Indians, and this leaves out of account those Indians who might get in by the London door. Now, in *Q.* 20,091 Mr. Mowbray quotes from a despatch of the Government of India that the Civil Service is recruited to fill 898 posts. And as the total strength has to be kept about 20 per cent. in excess of the posts, so as to provide for those who are sick or on leave, this gives a total strength of nearly 1,100 for the Civil Service. As I have therefore already stated in my evidence, we should have ultimately had at least one-sixth of these men Indians if the old scheme had been allowed to continue, which gives about 180 men out of nearly 1,100. Instead of this, we now have 93 posts set apart for us. I may add that the Public Service Commission itself had recommended the setting apart of 108 posts, but the Government of India and the Secretary of State between them reduced the number to 93.

With reference to the Special Departments, partly owing to the wide meaning given to the term "Natives of India" and partly owing to Mr Jacob's omission to State the present proportion of natives, as ordinarily understood, in the different grades, it is very difficult to have a clear idea of the existing situation. Meanwhile, the analysis submitted by the native witnesses for the different provinces tells its own tale. In this connexion, I would only repeat here what I have already urged on the attention of the Commission, that while restrictions on the extended employment of Indians in the executive branch of the Civil Service, as also in the Military Department and in quasi-military departments like the Police, are intelligible, there can really be no justification for shutting all but a few of them from such departments as the Survey, Opium, Finance, Customs, Telegraph, Forest, Public Works, and others. In fact in these departments the employment of natives, as children of the soil, should be the rule and the employment of Europeans the exception. As regards the acquiring of the necessary special skill in some of these departments, it is for the Government to provide facilities in the country itself, and then he would be a bold man who would assert that duly qualified natives would not still be forthcoming in much larger numbers than required.

Q. 20,173-85.—I now come to the special criticism which Mr. Jacob offers on my own evidence. His replies to *Q.* 20,174–5–6–7 may be taken together. From these replies it appears that Mr. Jacob does not share the views of men like Sir C. E. Trevelyan as regards the financial administration of the East India Company, and he compares the civil and military expenditure of the closing years of its rule with what it is now. Unfortunately, he does not go into any fuller statistical analysis, and it is not clear why he takes the troubled years 1856–57–58 for comparison. The point, however, is a most interesting one, and certain figures which I have worked out yield very striking results.

It may be stated that our complaint about the course of Indian expenditure is mainly in reference to recent years. During the first 25 years following the Mutiny, the progress of *civil* expenditure was, on the whole, not unsatisfactory, while the military factor was well kept within limits. But since 1884–85, military considerations, as Sir A. Colvin puts it, have acquired such a preponderance in the financial administration of the country, that whereas military expenditure has grown and is growing enormously, civil charges exhibit but a meagre advance. The following figures will suffice to bring out the point:—

First Period (1844–45 to 1855–56).

Year.	In Crores.	
	Civil Expenditure.	Military Expenditure.
1844–45	5·18	10·78
1855–56	7·21	11·95
Increase	2·03	1·17

These closing 12 years of the Company's rule were a most troubled and anxious period—a period of war and conquest, annexation, and political change (Sikh and Burmese wars, Oude and Nagpore annexations), and yet while civil charges were allowed to expand from 5·18 crores to 7·21 crores, or *full* 37 *per cent.*, military expenditure was well kept under control, and increased only 10 per cent.

Second Period (1862–63 to 1872–73).

Leaving out the five years (1856–62) of the Mutiny period, we come to 1862–63, when things quieted down and, so to say, returned to the normal.

Year.	In Crores.	
	Civil Expenditure.	Military Expenditure.
1862–63	8·50	14·89
1872–73	12·63	15·50
Increase	4·13	·61

In other words, while the civil charges increased by *nearly* 50 *per cent.*, the military expenditure was allowed to grow by *only* 4 *per cent.*

Third Period (1884–85 to 1895–96).

Leaving out the period from 1873 to 1884 as for the most part an abnormal period of famine and war, and making allowance for the time taken by the country to recover from the effects of those calamities, we come to the third period, and we have the following figures:—

Year.	In Crores.	
	Civil. Expenditure.	Military Expenditure.
1884–85	17·47	16·00
1895–96	21·50	22·25 (Exclusive of exchange.)
Increase	4·03	6·25

These figures yield a per-centage of 23 as the increase in civil charges and 38 as the growth in military expenditure.

The per-centages of growth for the three periods are gathered together below.

	Increase in Civil.	Increase in Military.
First period (1844–45 1855–56).	37 per cent.	10·78 per cent.
Second period (1862–63 to 1872–73).	50 „	4 „
Third period (1884–85 to 1895–96).	23 „	38 „

These figures more than justify the criticism, that during the last 12 years military considerations have been allowed to overshadow all other considerations.

Mr. Jacob's table (*Q.* 20,174) compares net charges except under Army and Land Revenue for 1856–7 with gross for 1895–6, which is open to objection. The figures, as given in Sir H. Waterfield's memo. of 1880, are as follows:—

1856–57.	£
Law and justice	2,812,407
Education	246,607
Medical	99,886

In such comparisons, due allowance has to be made for the difficulties of a Government which was just emerging from the distracting struggles of a hundred years, and had but short intervals of breathing time to conceive and carry out measures for the internal

development and progress of the country, and it is manifestly ungenerous to compare the small beginnings of a period of storm and stress with the larger developments of more peaceful times.

Mr. J. S. Mill's memo., however, on administrative improvement during the last 30 years of the Company's rule (Bluebook, February 9th, 1858), gives a record of sustained progress of which any Government might be proud. The Judicial and Police Establishments were revised and placed on an improved basis; a large scheme of police reform was being vigorously pushed through. Education was well taken in hand; and medical relief was not neglected. As regards public works, a large beginning was made. Irrigation works, including the Jumna and Ganges Canals, were carried out and several new ones projected. Railway construction had a fair commencement; negotiations with six railway companies were complete, and 4,158 miles were sanctioned. The question of the extended employment of natives in the higher branches of the public service long engaged the serious attention of the Company's Government. The creation of native courts of justice was a great step in this direction, and in Bengal and Bombay, the entire original jurisdiction in civil suits was in the hands of the native judges, and so, too, to some extent, in Madras. Natives were also largely employed in the administration of criminal justice and in the revenue department. (*Vide* Mill's memo.)

Q. 20,177*a.*—In this question, Mr. Jacob seems to have altogether missed the point of my reply to *Q.* 18,335. My words to which he refers were these:—"I do not "know a single instance where native services have "ever clamoured for increased pay or pensions, or ever "got any concessions." It will be seen that Mr. Jacob has not quoted me correctly, as a reference to my reply to *Q.* 18,335 will show. Now my point there was, "that "the European services were so powerful, that when-"ever they made up their minds to secure a concession, "their clamour generally compelled the Government "eventually to yield. The Native services, on the "other hand, from the very nature and the very "helplessness of their position, never *clamoured* for "anything or got anything as a *concession* to their "demand." I was pointing out a moral evil inseparable from the powerful position which the European services naturally occupied in the country. I think my replies to *Q.* 18,334 and 18,335 ought to leave no doubt in anybody's mind on the point.

Q. 20,178.—Here I would only remark that the suggestion of the Calcutta Chamber was in respect of High Court Judges only, whereas the criticism of the Bombay Chamber applied to the whole Civil Service. The latter body had, moreover, suggested that even the pensions of these officers should be paid in rupees. It is true that when the Bombay Chamber made their proposal, exchange was at about 1*s.* 6*d.*, but it had been steadily falling already, and surely a body of merchants like the Chamber was not likely to overlook the probability of a further fall.

Q. 20,179-83.—Here Mr. Jacob seems to consider that the increase in forest revenue justified the increase in the expenditure. But the increase in the revenue itself is open to serious objection, and is a necessary evil of constituting a separate forest department. My views on this subject are so fully expressed in my previous evidence that I do not think it is necessary for me to say more here on the subject.

Q. 20,184.—The proportion of Native and European police inspectors that I gave in my reply to *Q.* 18,493 was only an impression based on what I then recollected of Poona. I was careful to add "I am not quite sure, "but it would be like that." The statement is correct so far as the higher class of inspectors, those drawing Rx. 200 a month and upwards, are concerned. The latest civil list gives six inspectors on 200, of whom three are Europeans. Also four on 250, of whom two are Europeans. The grades below 200 a month are manned almost exclusively by natives, and to this extent I beg to modify my statement.

Q. 20,185.—Our settlements are for 30 years, as I have already explained, and then a revision takes place, leading to an increase in Government assessment, the proceeds of the one-anna cess also increase to that extent. And as revision operations have gone on over so many parts of the Presidency during the last few years, it was natural that there should be some increase in the proceeds of the cess. But now, for nearly 30 years, there would be very little revision. Moreover, an increase of 8 lacs in 20 years does not appear to me to be so striking as to deserve special mention. I need hardly add that my argument about the non-progressive character of the one-anna cess for periods of 30 years at a time is entirely unaffected by the increase mentioned by Mr. Jacob.

Ferguson College, Poona, 15th October 1897. G. K. GOKHALE.

APPENDIX No. 91.

Mr. Banerjea's Reply to Evidence given by Mr. Jacob, C.S.I.

The Provincial Contract.

I do not see how Mr. Jacob's statement at all traverses the position we took up. Admitting that the Imperial expenditure, exclusive of exchange, has, during the last three quinquenniums, increased by only 8 per cent., our contention remains unaffected. What we have urged, and what we still desire to urge, is, that the bulk of the national revenue is absorbed in Imperial expenditure, to the detriment of the most pressing domestic improvements. Mr. Jacob does not dispute the fact. It can not, indeed, be disputed, seeing that two-thirds of the entire revenue of the country are devoted to Imperial expenditure, and only one-third to provincial purposes; in Bengal it has been less than one-fourth under the last two provincial contracts. The question is not one of the per-centage of increase since the time the provincial contract system has been introduced, but of the per-centage of the entire revenue which is respectively spent upon Imperial and upon provincial purposes. The question is one of the adequacy of provincial allotments for provincial purposes. Whatever may be the per-centage of increase in provincial allotments since 1882, the one crucial question by which they are to be tested is whether they are adequate for the purposes for which they are assigned? The best judges in the matter are undoubtedly the high and responsible officers who are entrusted with the administration of these funds. From all parts of the country—from Bengal, Madras, Bombay, and the North-Western Provinces, comes the same complaint that the funds are absolutely inadequate to meet the growing requirements of a progressive community. This singular unanimity of testimony, coming from the highest officials, intrusted with the government of great provinces and the welfare of millions, cannot, I venture respectfully to submit, be ignored by the Commission, whatever Mr. Jacob may say to belittle their testimony by comparing them to heads of departments in England. It is worthy of note that men like Sir Charles Elliott, Sir Alexander Mackenzie, Sir Antony Macdonnell, who have all complained against the present system, were connected with the Government of India, and in much more responsible positions than that which Mr. Jacob holds before they became Lieutenant-Governors, and therefore might be presumed to be fully sensible of the difficulties of the Indian Government, and yet they loudly complained of the system. Nor is it the language of vague and irresponsible clamour in which they indulge. There are definite allegations made of the inadequacy of provincial allotments under specific heads. The Honourable Mr. Stevens, the present officiating Lieutenant-Governor of Bengal, complained from his place in the Supreme Legislative Council, that provincial finance had been so crippled by the provincial contract of 1897 that the salaries of ministerial servants which were fixed long ago can not be raised, that the lower ranks of the police can not be adequately paid, and that the claims of sanitation cannot be properly attended to, and that, too, at a time when the country is menaced with the plague. The responsible representatives of the people complained from their places in the Council Chamber that the educational needs of the country are not properly met, that the expenditure on education, as estimated per head of the population, is the lowest in any part of the British Empire or of the civilised world, and that the law's delays, due to an inadequate number of judges, are disastrous to the ends of justice and demoralising to the people.

Then there is that question of the separation of judicial and executive functions. The combination of these functions in one and the same officer is a serious defect in the administration of criminal justice in India, and has led to grave scandals. It has attracted the attention of successive Secretaries of State, who have all condemned it. Lord Cross, when Secretary of State, said he thought the subject to be so important that he was anxious to deal with it himself, and Lord Kimberley observed that the combination of these functions was "contrary to right and good principle." The carrying out of this much-needed reform, in regard to which there is a remarkable consensus of opinion among the highest official authorities and the leaders of public opinion, is, as was remarked by the Chairman of the Commission, mainly one of expense, as will be seen from the reply given by Lord Kimberley to a question put by Lord Stanley of Alderley in the House of Lords. Lord Stanley of Alderley asked "Whether, in view of the unsatisfactory state of "criminal administration in India, Government was "prepared to effect a separation between the judicial "and the executive functions?" In reply to this the Earl of Kimberley said: "Though the proposal was "most desirable, yet Government was unable to enter-"tain it, as it would require double the staff at present "to do so." Mr. R. C. Dutt, C.I.E., one of the ablest members of the Bengal Civil Service, has shown that the expense would be much less. However that may be, if the necessary funds were available it is very evident that the higher authorities would be prepared to deal with this much needed reform.

It is no answer to these definite and specific allegations to say that the per-centage in the growth of provincial expenditure is 20 as against 8 in the growth of Imperial expenditure. In all directions provincial expenditure on most useful and important purposes is starved to meet the growing expenditure of the Imperial Government upon an army which, in the opinion of competent authorities, is in excess of the requirements of the country, and upon the prosecution of a forward policy about the wisdom of which there are serious differences of opinion. If there had been no increased charge for exchange, and no increase in any expenditure, then upon Mr. Jacob's own showing there would have been a considerable surplus, which might have been devoted to the most useful domestic purposes. Mr. Jacob is constrained to admit, in reply to a question put by the Chairman, that he would not bind himself down to the statement that he considered the 20 per cent. share as meeting "fully" "the legitimate demand of the Provinces"; and further, that if there had been no increase in the charge of exchange, and no increase in the army, he had no doubt the Government of India would have increased the expenditure on education. It may be true that in 40 years the expenditure on education has grown six times as much as it was before, but has it been commensurate to the growth of the population, the expansion of the Empire, or the increasing needs of the community? The fact remains that the expenditure on education is the lowest in India, as compared with that of any other part of the British Empire, and the Hindoos are a people whose keen intelligence makes them specially fit to be benefited by the advantages of education.

Mr. Jacob says that full advantage is not taken of the existing expenditure on education, and he appeals to his

own experience as a district officer. I claim to have some experience as an educationalist, and also as one entrusted with the administration of a local body which deals with educational institutions of a certain class within that area, and I venture to say this, that nothing is more remarkable than the volume and intensity of the educational movement in Bengal, which gathers strength every year. When I was an undergraduate the number of students in the B.A. classes could be counted on one's fingers. They are now to be counted by hundreds. The number of candidates who appear for the different examinations in connexion with the Calcutta University alone come up to nearly ten thousand every year, and this, notwithstanding the fact that in recent years the colleges in the Punjab and the North-Western Provinces have been separated from the Calcutta University, and have been affiliated to the newly created Universities of Lahore and Allahabad. Nothing is a more constant source of friction between the non-official chairmen of our municipalities in the interior and the official divisional commissioners, who, under the law, control the working of these bodies, than the demand for increased grants for education on the part of the chairman and the unwillingness too often shown by divisional commissioners to comply with such demands. If Mr. Jacob says that full advantage is not taken in Bengal of the educational grants, all that I can say is that either his experience is unique or that it is out of date. So great is the importance attached to education — the traditionary instincts in favour of it are so strong that, in Bengal (and I think this is true of the rest of India, wherever Hindoo civilization has ever held sway), education is the mark of respectability, and that it is considered positively disgraceful for a man in a respectable position in life not to have received some sort of education. There are admirable materials for education all over India. It is the want of funds due to the operation of the existing provincial system which precludes local governments from doing justice to the educational needs of their respective provinces and makes India, educationally speaking, one of the most backward countries in the world.

Nor is the fact to be overlooked that in judging of the growth of provincial expenditure we have to bear in mind, the words of Sir Richard Temple, who, with Lord Mayo, was the framer of the provincial system, that the branches of civil expenditure which the provincial governments were required to deal with under the provincial contract were the very branches indeed where, from the progressive spirit of the age, the demands for increased outlay have most risen and would most arise. They are intimately connected with the advancement of the country; and I venture to say, with great deference, that it is a serious reflection upon any administration that the bulk of the revenues of the country should be devoted to purposes other than those intimately connected with the prosperity, happiness, and contentment of the people.

It would seem, from Mr. Jacob's own figures (*vide* tables at pages 2 and 3), that the average provincial expenditure per year for the quinquennium ending in 1886-87 (the preceding quinquennium for obvious reasons, cannot be taken into account) was Rx. 11,537,000, the average for the succeeding quinquennium was Rx. 12,273,000, representing an increase of a little over half a million tens of rupees (the exact figure being Rx. 736,000). The average for the next quinquennium was Rx. 13,795,000, representing an increase of about a million and a half of tens of rupees. In other words, the increase over the three quinquenniums was less than three millions, or on an average less than a million per quinquennium, or less than two hundred thousand tens of rupees per year over a population of more than two hundred millions, or an increase of less than one thousandth part of ten rupees, or of a hundredth of a rupee per head, spent each year on the most urgent domestic improvements. Whether this rate of progress in expenditure, almost infinitesimal in its character when looked at from the point of view of yearly progress in connexion with matters upon which the prosperity and happiness of the people of India depend is in keeping with the traditions of a civilised Government, it is not for me to say. Now contrast this expenditure for domestic purposes with expenditure upon Imperial matters, in which, of course, military expenditure looms so prominently on the view. The average of Imperial net expenditure per year, as given in Mr. Jacob's table for the quinquennium ending in 1886-87, was Rx. 29,990,000, the average for the next quinquennium was Rx. 32,789,000, representing an increase of little less than three million tens of rupees, as against an increase of little over half a million tens of rupees spent upon domestic purposes during the same quinquennium (the exact figure being Rx. 2,799,000). The average per year for the next quinquennium ending in 1896-97 was Rx. 37,261,000, representing an increase of nearly four and a half million tens of rupees (the exact figure being Rx. 4,472,000). Over the three quinquenniums the increase therefore comes up to Rx. 7,271,000, as against Rx. 2,294,000, the increase on provincial expenditure. The increase in Imperial expenditure per head of the population during the three quinquenniums would, roughly speaking, taking the population at two hundred millions, be about one thirtieth of ten rupees, or one third of a rupee against an increase of less than one hundredth part of a rupee per head of the population upon expenditure in connexion with provincial domestic improvements.

Further, in judging of the growth in the per-centage of provincial expenditure, we have to bear in mind the fact to which I have already adverted, that these branches of expenditure are precisely those which are most expansive in their character. Nor do I see why loss by exchange, incidental to Imperial expenditure, should not be deemed to be a part of such expenditure. Without entering into the considerations which surround the exchange question it is indisputable that it is the large payments in gold which the Indian Government has to make chiefly in connexion with the Imperial expenditure and the charges due to the forward policy which have accentuated the gravity of the position and have added to the difficulties of the Government. If the increased charges in exchange are taken into account, as they should be, I think the per-centage of increase in Imperial expenditure would be much more than right during the three quinquenniums from 1882 to 1897. Taking Mr. Jacob's figures and not excluding exchange we find the average for the quinquennium ending in 1886-87 to be Rx. 29,993,000, the average for the quinquennium ending in 1891-92 to be Rx. 32,789,000, and the average for the quinquennium ending in 1896-97 to be Rx. 37,261,000. Thus the increase in Imperial expenditure during the three quinquenniums from 1882 to 1897 came up to 24 per cent., which is in excess of the growth of provincial expenditure.

In the course of my examination I observed:—"What "is still worse, each time the contracts are revised, a "reduced scale of expenditure is adopted on which "to base quinquennial assignments, and only moderate "increase above the scale are permitted. Thus every "fifth year the provincial resources are cut down and "provincial progress is sensibly thrown back." With reference to these observations, apparently, Mr. Jacob replied as follows:—"If the figures are looked at it "will be seen that there is no such great difference "between the expenditure in the last year of one "contract and the first year of the succeeding contract." The figures to which Mr. Jacob refers are not before me. Probably they are given in the Appendix, which has not been sent to me. But I must say I am unable to reconcile this statement with the following observations of Mr. Jacob at page 17, where he admits that at the beginning of each contract "there is an immediate "cutting down of provincial resources" "to an appreciable extent." "Then impressed as they are with the "importance of these projects they find their resources "cut down, for, undoubtedly at the time of revision there "is an immediate cutting down of provincial resources, "not indeed to the same level as at the beginning of the "previous contract, but to an appreciable extent as com-"pared with the resources which were in the hands of the "provincial government in the previous year." I desire to submit in this connexion a statement which shows, to quote my words, that the re-adjustments are followed by curtailment of domestic expenditure, and, by the time the former level is reached and the contract period expires a fresh adjustment takes place leading to a fresh curtailment of expenditure. The process continues to the detriment of domestic interests of the country, and it leads to considerable irritation between the Imperial and the local governments. I am not able to reconcile this table with Mr. Jacob's table at page 2. Apparently Mr. Jacob excludes some expenditure. He admits including railway and irrigation accounts. My summary is an exhaustible statement on provincial expenditure.

SUMMARY of PROVINCIAL FINANCE.

Rx. in Crores.

Years.	Revenue.	Expenditure.
1882–83	16·3	17·2
1883–84	16·4	16·6
1884–85	17·5	17·4
1885–86	18·1	17·5
1886–87	18·2	18·0
1887–88	17·5	17·2
1888–89	17·8	17·6
1889–90	18·3	17·8
1890–91	18·0	18·3
1891–92	20·8	20·4
1892–93	19·5	19·8
1893–94	—	—
1894–95	19·6	20·0
1895–96	20·8	20·3

The statement is complete, except for the year 1893–94, the figures for which I have not been able to procure. It will be seen from the table that the expenditure for the last year of the quinquennium ending in 1886–87 was 18·0 (crores), the expenditure for the first year of the succeeding quinquennium was reduced to 17·2, and the figure of the last year of the preceding quinquennium was not attained till 1890–91, that is to say, till two years before the expiry of the next succeeding quinquennium. The figures for the succeeding quinquennium, 1892–93 to 1896–97, are even still more striking. The expenditure of the last year of the quinquennium ending in 1891–92 was 20 4 (crores). The expenditure of the first year of the succeeding quinquennium was 19·8 (crores), and the level of the last year of the quinquennium ending in 1891–92, was not attained, if indeed it was fully attained till the last year but one of the succeeding quinquennium.

At page 18, Mr. Jacob, referring to an extract which I quoted from Sir Charles Elliott's resolution of the 5th November 1895, read an extract from the same resolution, which, he said, "is in immediate continuation of what Mr. Banerjea quoted," giving a résumé of administrative improvements which were carried out under Sir Charles Elliott's administration. The extract which he read was not "in immediate continuation of my extract." Three somewhat significant lines coming between the two extracts are omitted. I say these lines are significant because they repeat the complaint about the drain of provincial resources owing to the demands of the Imperial Government, and suggest the inference that but for this drain the improvements would have been still more remarkable. With these observations I quote the lines which are "in immediate continuation" of my extract, but which Mr. Jacob has omitted. "Notwithstanding this drain upon the provincial resources, the Lieutenant-Governor is glad to be able to look back upon a substantial array of administrative improvements which have been carried out within the period under review."

Mr. Jacob enters upon a complete vindication of the present system of provincial contracts, but as a matter of fact Sir James Westland himself is not satisfied with the existing system, although he energetically defended it from his place in the Supreme Legislative Council. "I feel," said the Finance Minister, "with his Honour the Lieutenant-Governor, that the present system is one which cannot last" (page 191 of the "Gazette of India," of the 27th March 1897), and hence he suggests an alteration in some respects of the present provincial system Mr. Jacob refers to in his statement. The system consists in making a permanent assignment from general revenues to the local government in respect of expenditure for medical purposes, for education, for roads, and for sanitary improvements. Such a permanent grant would be devoid of the elements of elasticity, and the branches of expenditure to which this permanent grant would be assigned are precisely the branches which, in the words of the Government of Lord Mayo, "are the very branches, indeed, where from the progressive spirit of the age the demands for increased outlay have most arisen, and would most arise." The assignment being fixed, the expenditure expansive, fresh taxation would be necessary, and yet the Government insists upon maintaining the present system of revision of the contract at the end of every five years, on the express ground that it may have it in its power the means of affording relief to the taxpayer by the remission of taxes. If Sir James Westland's scheme is carried into effect an increase of local taxation would be inevitable; and the chief object which the Government of India has in view in maintaining its present control over provincial finance would be frustrated. For these reasons I venture once again to recommend to the favourable consideration of the Commission the scheme of provincial decentralisation which was recommended by Sir Charles Elliott ("a Governor so well informed," in the words of Mr. Jacob), as President of the Finance Committee, and which received the support of such distinguished men as Sir William Hunter, Sir Henry Cunningham, and Mr. Justice Ranade. I will here set forth the chief provisions of that scheme:—

"We recommend (1) that there be no divided departments, but that those departments of receipts and expenditure which are now wholly or almost wholly Imperial, or which it may be found convenient to make Imperial, should be set on one side for Imperial purposes, and that the receipts and expenditure of the provincialised departments should be entirely provincial; (2) that whatever the sum be by which the Imperial expenditure exceeds the income from those sources of revenue which are not provincialised, that sum should be declared the first charge on the provincial revenues; (3) that the provincial surplus which arises from the excess of receipts over expenditure should be the fund from which, in the first place, all Imperial necessities should be met, before any increase can take place in provincial expenditure; (4) as to the future growth of revenue, we recommend that it should, as far as possible, be divided equally between provincial and Imperial; but that if Imperial exigencies should require it, the Imperial share should be increased and the provincial share reduced."

But if for any reasons it should be found impracticable to give effect to these recommendations, then I would repeat the suggestions which I have already made in this connexion, viz., that the period of contract should be raised from five to ten years, and the terms of the contract on the occasion of each revision should be laid before the provincial councils for discussion before final submission to the Supreme Government, the council being empowered to move amendments in connexion with the proposals submitted, and that if the Government of India should be unable to accept the terms to any serious extent (say, within 50,000 rupees), the matter should be referred to the Secretary of State for final decision. As for allotments, they should be made with due regard for provincial needs and wants, and not with reference to past expenditure or past allotments.

THE PUBLIC SERVICES.

I desire to submit the following observations in connexion with that part of Mr. Jacob's statement dated the 21st July, which affects the Services:—

I note that Mr. Jacob does not call in question the facts and figures which the other Indian witnesses and myself have adduced. His contention is that much has been done within the last 20 years and more will be done within the next few years. Our contention is that although ten years have elapsed since the Public Service Commission have made their report, yet in several important departments, such as the Public Works, the Forest, the Telegraph, the Post Office, the Survey, the Customs, the Opium, and the Police, very little progress has been made towards giving effect to the recommendations of the Commission, and no serious effort has been put forth in that direction. With Mr. Jacob's contention, as affecting each of these departments, I will deal in detail under their respective heads. But when he refers to the statement which I made and from which I do not withdraw, viz., that we regard the Indian Government as a progressive government but that we do not consider the progress made as adequate to meet the requirements of the country; it is only right and proper that I should point out that the statement is to be taken only in a general sense, and not applicable to each department; for there are departments in which instead of progress there has been retrogression as regards the employment of the people of the country in the higher offices. Take, for instance, the Medical Department in Bengal, in regard to which Mr. Jacob is discreetly silent. In this department within the last

20 years our countrymen have lost ground. I will reproduce here an extract from my evidence, which entirely bears out this view of the matter, and which has not been challenged by Mr. Jacob :—

" In 1877 there were 67 commissioned medical officers, of whom 5 were Indians. There were in addition to the above, 28 uncovenanted medical officers. Of these 7 were apothecaries (all Europeans) and 3 were Indians. In 1887 there were 62 commissioned medical officers, of whom only 6 were Indians. There were 29 uncovenanted medical officers of whom only 4 were natives of India, the other 25 were Europeans and Eurasians (13 apothecaries and 12 non-military medical men). There were 142 assistant surgeons. In 1897 there were 66 commissioned medical officers of whom only 4 were Indians. Thus, practically, the number of commissioned officers on the Bengal establishment who were natives of India remained stationary for a period extending over 20 years—from 1877 to 1897. In fact, the number in 1897 was slightly less. In 1897 there were 36 uncovenanted civil medical officers, of whom only 4 were Indians, the rest were Europeans and Eurasians, 25 were apothecaries, and 7 non-military Europeans. . . . It will thus be seen that while the number of apothecaries holding the higher appointments has increased by over 300 per cent., the number of natives of India employed has actually decreased."

It is also worthy of note that Mr. Jacob has nothing to say with regard to the Customs Department, although it so happens that, with one exception, the superior appointments in the Customs Department in Calcutta are filled by Europeans, and it is a department for which, according to the testimony of Sir Charles Trevelyan, natives of India are specially qualified.

The Public Service Commission Report.

As I have said, our complaint is that in regard to several of the great departments of the State little or nothing has been done towards giving effect to the recommendations of the Public Service Commission. Mr. Jacob's explanation is that we have to wait for vacancies occurring. I cannot admit that this is a full explanation. Vacancies have occurred in the office of Under-Secretary to the Government in Bengal more than once, yet not a single native of India has ever been appointed Under-Secretary to Government, although in Sir Ashley Eden's time (1877–82) a Bengalee gentlemen, Babu Rajendra Nath-Mitler, acted with credit as Assistant-Secretary to Government. Vacancies have more than once occurred in the office of Accountant-General of Bengal, yet not a single native of India has been appointed Accountant-General, although there are several natives of India who have acted with credit as Deputy Comptroller-General and Deputy Accountant-General. Both these are appointments to which natives of India under the recommendations of the Public Service Commission are eligible. A reduction in the number of new recruits every year would tend to the more speedy carrying out of the proposals of the Public Service Commission. I may here notice that in Bengal with one exception (that of Mr. U. C. Batabyal) not a single member of the Provincial Service has been appointed under the recommendations of the Public Service Commission to any office hitherto reserved for members of the Covenanted Service, and even Mr. Batabyal is not really a member of the Provincial Service. He was a member of the Statutory Service, but elected to belong to the Provincial Service. I more than once called attention to this matter in Council, and I was told in reply that the prior claims of the Statutory Service must first be satisfied before the claims of the Provincial Service can be dealt with. In the North-Western Provinces, however, where they had a Statutory Service similar to what we had in Bengal, several members of the Provincial Service hold appointments hitherto reserved for the Civil Service. Why the members of the Provincial Service in Bengal should be placed in a worse position is what I cannot understand.

And here I must refer to an inaccuracy in Mr. Jacob's statement of a sufficiently important character to call for justice. At page 23, in commenting upon his table, Mr. Jacob remarks: " Besides the appointments shown " above and actually listed for the Provincial Service, " members of that Service are eligible for higher posts, " such as High Court judgeships, Commissionerships, " and those of members of the Board of Revenue."

Membership of the Board of Revenue is one of the highest executive appointments under the Government. In provincial administrations it is only next in importance to that of a Lieutenant-Governorship, carrying a higher salary than that of a High Court judge. (In Bengal the salary is 50,000 Rx. a year.) Now, it is not the case, as stated by Mr. Jacob, that a membership of the Board of Revenue is one of the offices to which a member of the Provincial Service is eligible. The Public Service Commission indeed made the recommendation, but the Government of India declined to accept this part of the recommendation of the Commission, and Sir Andrew Scoble, a member of the Commission, was a member of that Government. I quote from paragraph 13 of the despatch of the Government of India (No. 58 of 1888, dated Simla, the 9th October 1888) :—

" In the first place, we are of opinion that it is not advisable to exclude from the schedule one member of the Board of Revenue in Madras, Bengal, and the N.-W. Provinces, and Oudh, and one Financial Commissioner of the Punjab. . . . From our views upon this point, our honourable colleague, Sir Charles Aitchison desires to dissent, for the reasons given on page 74 of the Report."

[*The bulk of the Executive and Judicial Departments must be Englishmen.*]

Mr. Jacob suffers, as it seems to me, under a more serious misapprehension when he says that " the Public " Service Commission laid great stress upon the fact " that the bulk of the executive and judicial depart- " ments must be Englishmen trained in English " principles."

This is certainly not the recommendation of the Public Service Commission. The gist of their recommendations may be summarised as follows :—

That indigenous agency should be more largely employed in the public service, that the recruitment of the official staff in England should be curtailed, and advantage taken of qualified agency obtainable in India. In other words, the Provincial Service recruited in India should be the back-bone of the administrative agency, subject to European supervision and control. " Considerations of policy and economy alike require," observed the Commission in their Report, page 152, " that so far as is consistent with the ends of good " government, the recruitment of the official staff in " England should be curtailed and advantage taken of " qualified agency obtainable in India."

Again, when discussing their proposals regarding the formation of an Imperial Service, the Commission observe :—" Under this arrangement the Covenanted " Civil Service reduced to a *corps d'élite* and its members " limited to what is necessary to fill the chief adminis- " trative appointments of the Government, and such a " number of smaller appointments as will ensure a " complete course of training for junior civilians, will " continue as hitherto to be recruited by open competition " in England only," &c. (page 68 of the Public Service Commission Report). Thus so far from laying stress upon the fact that " the bulk of the executive and " judicial departments must be Englishmen," the Public Service Commission recommended " the limiting of the " recruitment in England to such a strength only as is " required to fill the highest and leven the upper ranks " of the Service," so that " an opportunity of advance- " ment to places of trust and responsibility is afforded to " those whose scruples debar them from competition in " England" (page 50, Public Service Commission Report). The Commission did not, indeed, recommend that the bulk of executive and judicial appointments should be held by Englishmen. Their recommendations involved the reservation of about one-sixth of the appointments hitherto held exclusively by members of the Civil Service for the Provincial Service ; and my contention is that in the executive and judicial departments, the ruling departments as Mr. Jacob puts it, their recommendations have only been partially carried out, and in the special departments to which I shall presently refer, they have been, if not totally ignored, at all events even more inadequately given effect to.

The Special Departments.

And yet in connexion with these special departments Mr. Jacob observes in his evidence : " Of course in " other departments, which are not concerned with " the government of the country, you may say, such " as the Public Works Department and the Accounts " Department, and others, a very much larger pro- " portion of natives can be employed even in the higher " grades, and will be so employed." As a matter of fact they are not so employed. As a matter of fact the exclusion of natives of India from the higher offices

in the special departments (as I have already shown from the figures I have quoted in my evidence) is even more complete. The House of Commons, in their resolution of the 2nd June 1893, laid down:—"That "all open competitive examinations heretofore held in "England alone for appointment to the Civil Services "of India shall henceforth be held simultaneously "both in India and England. Such examinations in "both countries being identical in their nature, and "all who compete being finally classed in one list "according to merit." It will be thus seen that the House of Commons, by the above resolution affirmed the principle of holding simultaneous examinations, not only with regard to the Indian Civil Service, but with regard to all Civil Services. The examinations for the higher offices in the Forest Service, the Telegraph Service, the Public Works Department, the Police Department are now held in England, and in England alone. Whatever political reasons there may exist for not holding simultaneous examinations for the Indian Civil Service (and Indian public opinion firmly holds that no such reasons exist), it cannot be urged, with the shadow of a shade of reason, that there are any political grounds for not holding simultaneous examinations for recruitment to the higher offices in the special departments. It will be seen, on a reference to the Blue-book presented to both Houses of Parliament, in 1894, containing "Papers relating to the question "of holding simultaneous examinations in India and "England," that these despatches deal exclusively with the question of holding simultaneous examinations for the Indian Civil Service, and that not a single local government, nor even the Supreme Government, recorded any opinion adverse to the proposal for holding simultaneous examinations for the minor Civil Services. There is no official opinion on record against it. There is the resolution of the House of Commons in favour of it. There are no political considerations against it. Mr. Jacob, the mouth-piece of the Government, himself, says that natives of India can well be largely employed in these departments. Under the circumstances, I would respectfully press the view which I have ventured to put forward, in favour of holding simultaneous examinations in India and England for recruitment to the special departments, for the favourable consideration of the Commission. There can be no practical difficulties in the way of holding such examinations, for the London University, till recently, held its examinations in Calcutta, Bombay, and other centres. In his Budget speech, Lord George Hamilton referred to the necessity of encouraging technical education in India, as a means of developing the wealth of the country and of ameliorating the condition of the masses. I have no hesitation in saying that the holding of examinations in India for the selections of probationers for the special departments which require technical knowledge would give a great impetus to technical education in India. The colleges will make arrangements for these examinations. The youth of the country will be drawn by the prospect of high office towards the study of these technical sciences necessary for these examinations.

I now pass on to consider Mr. Jacob's observations under each special department.

Opium Department.

It would seem from Mr. Jacob's statement that the Government of India has declined to accept the recommendation of the Public Service Commission in favour of the adoption of the principle of "equality of "treatment of all classes of Her Majesty's subjects," in regard to their appointment to offices in this department, the reason assigned being that natives have so recently been introduced into the higher appointments in the Opium Department that it is not deemed advisable at present to increase their employment. Natives of India have been employed in the higher appointments in this department since 1886. Thus, for more than ten years, their fitness has been tried, and surely the Government ought to be in a position to say whether they are qualified or not for the higher offices in this department. Further, if natives of India have been found qualified for some of the highest executive and judicial offices (such as those of district magistrate, High Court judge), it would be almost too absurd to hold that they cannot be trusted to discharge with ability some of the higher appointments in the Opium Department. After all, what does the recommendation of the Public Service Commission come up to? "Equality of treatment among all classes of "Her Majesty's subjects" is what they advocate, In other words, natives of India shall be placed on the same footing with Europeans and Eurasians, if they have the requisite qualifications—that mere race shall be no bar to their employment in the higher offices of the Opium Department. Let the Government of India fix the qualifications—intellectual, moral, and physical, and let all be equally allowed to compete, irrespective of race. That is obviously the sense of the Public Service Commission's recommendation, but apparently the Government of India would keep up the present state of thing, make race a disqualification, and would on no account allow more than one out of the four yearly recruits to be a native of India. The Government of India would find it very difficult to justify this policy before public opinion. In this department alone the recommendations of the Public Service Commission have been bodily rejected by the Government of India, for reasons with which the public are unacquainted.

Forest Service.

Ten years ago the Public Service Commission recommended the formation of a Provincial Service in connexion with the Forest Department, the Imperial branch of the Forest Service being, in the words of the Public Service Commission, "limited to the number of "officials necessary to fill the superior controlling "appointments, and such proportion of the assistant "conservator's posts as will ensure the complete "training of the junior officers." It will thus be seen that the Provincial Service was to be the backbone of forest administration. Ten years have now elapsed, and yet the provincial branch, which is to play such an important part in the arrangements for the wider employment of the children of the soil, in this department has not yet been formed. The Indian public have a right to complain that it has not yet been formed, but so it is with regard to most schemes for the wider employment of the people in the higher offices of the State. We do not know when this provincial branch of the Forest Service will be formed. We have waited ten years and we do not know how long we will have to wait. All this is in corroboration of my remark that the Government of India ought to move much faster than it does. If I may be permitted to say so without disrespect, I will venture to add that Mr. Jacob's remarks under this and other heads of the public Services are made, not so much in respect of things as they are but in respect of things as they will be. They are undertakings given on behalf of the Government. I am bound to say that we have had painful experience of these promises in the past. The Duke of Argyle, speaking as Secretary of State observed: "We have not kept our promises" to the people of India. Lord Lytton, speaking as Viceroy of India, observed: "The "promises of the Queen (as contained in the Proclamation) remain inadequately redeemed." The Indian public can only hope that Mr. Jacob's promises, made on behalf of the Government, will be more speedily realised.

Postal Department.

In regard to the Postal Department, Mr. Jacob's observations apply to what will happen eventually. The gist of my contention is not assailed, viz., that notwithstanding the orders of the Government of India of 1879, and the distinct finding of the Public Service Commission that "in this department opportunities "have been afforded to natives to show their fitness for "supervisional offices and for posts of the highest "responsibility," the bulk of the higher appointments in the department are still held by Europeans. I need not repeat the figures which I have already given, and which entirely bear out my position.

Police.

In the Indian Civil Service somewhat less than one-sixth or 16 per cent. of the appointments are held by natives of India. In the police in Bengal, less than 7 per cent. of the superior appointments are held by natives, and yet the Civil Service governs the country and the district magistrates, who is a member of the Civil Service, controls the District Superintendent, the official head of the District Police. Mr. Jacob admits the irritating and invidious distinction to which I called attention in my evidence, viz., that from the competitive examinations held in London for recruitment to the higher offices in the police, natives of India are excluded, for no other reason than because they are

natives. Their race constitutes their disability, contrary to the clear and distinct pledges contained in the Queen's Proclamation, which laid down that merit, and not race, was to be the sole test of qualification. Mr. Jacob says that the local governments are free to promote native inspectors to the higher rank in the Police Service. I protested against one system being employed for the recruitment of Europeans and another for natives of India. I protested against the system of appointing old and worn-out inspectors as District Superintendents of Police. I desire respectfully to renew my protest. The circumstance has a bearing upon the advancement of natives of India in the Police Service which is not to be overlooked. Under the 55 years' rule every uncovenanted servant of Government must retire from service at the age of 55, unless extension is given to him. Such extension is ordinarily given for one, and seldom exceeds five years. The result of these old men being promoted to the office of District Superintendent is that they never rise to the higher grades. The system has thus contributed to keep the native District Superintendents in the lower grades, promotion for the most part being by seniority. There has not been a single native of India who has ever been a first-grade District Superintendent of Police in Bengal. The present system of recruitment, therefore, directly interferes with the advancement of natives of India to the higher grades in the Police Department.

The Education Department.

I desire in the first instance to correct a mistake of fact in Mr. Jacob's statement. Mr. Jacob says that under the scheme now introduced the local recruitment for Bengal will come up to 113, representing an advance of 13 upon the existing number which, as given in his table, is 100. As a matter of fact the permanent local recruitment under the new scheme will be 104, and not 113 as stated by Mr. Jacob; 113 is the number fixed temporarily and on personal grounds. Let me quote from the supplement to the "Calcutta Gazette" of 27th March 1897, which contains the resolution of Government on the re-organisation of the superior Service of the Education Department:—"The inclusion "in the Provincial Service on personal grounds of nine "other officers has received the sanction of the "Secretary of State, and the number in that Service "was in this way to be brought up *temporarily* to "113." I have italicised the word temporarily. Mr. Jacob seems to think that in Bengal under the new scheme an addition will be made to the local recruitment, suggesting a wider employment of the people of the country. Nothing could be further from the actual facts of the case. I desire to call the attention of the Commission to the Bengal Civil List for January 1897. (I take this Civil List as the one which was current at the time when the new education scheme was framed.) At page 177 there is a list of officers belonging to the Education Department not within the classified list. Now the additions to the Provincial Service, and also, I may add, to the Indian Educational Service (which is the highest Educational Service) have been made by the classification for the first time of officers—some in the Indian Educational, and others in the Provincial Service, and also by the election of some members of the Bengal Educational Service (now the Indian Educational Service) to serve in the Provincial Service. Let me state the facts. Ray Radhika Prosonna Mukherjee Bahadoor and Ray Dina Nath Sen (inspectors of schools), who in the Civil List are put down in the fourth class of the Bengal Educational Service (page 176), have elected to serve in the newly organised Provincial Service, and figure in the first class of that Service (see page 1191 of the supplement to the "Calcutta Gazette" of the 27th March 1897). Then again Messrs. Tate, Gillharde, Annoda, Prosad Bagchi, Shaw, Stark, Haro Prosad Shastri, Jofalla Chander Roy, Projendra Nath Dasgupta, Debendra Nath Mullik, Purnanda Chatterjee, Mohmnoon Ghose, Kumudini Kauta Bauerjee, Holland, and Byers, who are not within the classified list (see page 177, Bengal Civil List for January 1897), have now for the first time been brought within the classes of the Provincial Service. They were already in Government Service. A Provincial Service having now for the first time been created in connexion with the Education Department, they have been graded in that Service. Mr. Tate has the sixth place given to him in the third class of the new Provincial Service. Mr. Gillharde, Dr. P. C. Roy and Mr. I. N. Dasgupta have the sixth seventh, and eighth places given to them in the fourth class of the Provincial Service. Messrs. Shastri, Stark, and Mullik occupy the eighth, ninth, and tenth places in the fifth class. Dr. Purnananda Chatterjee, Mr. Kumudini Kauta Bauerjee, and Mr. Monmohon Ghose are in the sixth class of the Provincial Service, while Mr. Byers heads the seventh class of the Provincial Service (see pages 1192 and 1193 of the supplement to the "Calcutta Gazette" of the 27th March 1897). It will thus be seen that no real addition has been made to the Provincial Service in Bengal in the sense that it affords a wider employment to the people of the country; and the fact remains that the Service, as organised in regard to its lower grades, has elicited a strong protest from the Lieutenant-Governor, Sir Alexander Makenzie, to which I have already referred in my evidence. While there has been no addition to the Provincial Service, the rules practically preclude the admission of natives of India into the superior grade of the Service. I need not repeat the reasons which, as I think, irresistibly point to this conclusion. Mr. Jacob's statement does not traverse that view of the matter. What he practically says is this: Natives of India may be excluded from the higher grades, but they have a wider opening in the Provincial Service. This last position, I have just shown, is untenable. Thus the new educational scheme, instead of being an advantage, must seriously interfere with the prospects of natives of India in regard to their employment in the highest grades of the Educational Service, from which they will now be practically excluded.

Public Works Department.

In dealing with the Public Works Department, Mr. Jacob quotes a table at page 29 of his evidence, which represents the ultimate distribution of the superior grades of the department in accordance with the Public Works Despatch, No. 65, dated the 22nd October 1890. Under this arrangement there will eventually be 730 engineers representing the full strength of the superior grades of the Public Works Department. Out of the 730 engineers, 130 will be Royal Engineers, 300 will be European civil engineers, and 300 Indian civil engineers. Our complaint is that we are as yet very far from this consummation, and little or no progress has been made within the ten years since the submission of the report of the Public Service Commission, or within the seven years which have elapsed since the despatch of the Government of India of 1890. At the time when the Public Service Commission reported, out of 1,015 officers in the superior engineers' establishment, so many as 810 were non-domiciled Europeans, 119 Europeans domiciled in India, including Eurasians, and only 86 were natives. At present there are 800 engineers of the superior establishment, of whom only 96 are Indians. In ten years the number of Indians has risen from 86 to 96; in how many years will the number rise to 300, the maximum to be reached under the Government scheme?

In this connexion I desire to call attention to the new rules which have been issued by the authorities of the Thomason Civil Engineering College, at Rurki, in the North-Western Provinces. The Rurki College is perhaps the greatest institution in the country for the training of engineers. Hitherto, all natives of India, as defined by statute, were eligible to the guaranteed appointments of the college. Under the new rules issued in 1897 all natives of India, except natives of the Punjab and the North-Western Provinces, where the college is situated, are excluded from competing for these appointments. These appointments are now reserved for Europeans and Eurasians, and for such natives of the Punjab and the North-Western Provinces as may qualify themselves for them. A Eurasian born in Bengal, or the son of European parents born in Bengal, may compete for these guaranteed appointments, but the Hindu and Mahommedan youth of Bengal, the Indian subjects of Her Majesty in the province, are precluded from the privilege. While Mr. Jacob gives an undertaking before the Commission on behalf of the Government for the wider employment of the people in the higher office in the Public Works Department, the authorities of the most important engineering institution in India establish a disqualification on the ground of race, against the vast majority of the native population in India, and would exclude them from competing for some of these high appointments. I place side by side, for comparison, an extract from the rules for 1896 and from the new rules for 1897, to enable the Commission to form their own inferences.

AN EXTRACT from the RULES for 1896.

1. Candidates for admission to this class must be statutory natives of India, and not under 17 or above 21 years of age at date of entry to college. No candidate will be examined more than twice, and no one who has studied for more than three months in any class of the college is eligible for admission as a candidate for a Government appointment.

2. Candidates who have not passed the entrance examination may be admitted for education, and to obtain certificates as assistant engineers, provided that (*a*) accommodation is available; (*b*) they possess the educational qualifications specified in Rule 7, can produce the certificates specified in Rules 4 and 5, and can satisfy the Principal that their knowledge of English is sufficient to enable them to pass through the college course; (*c*) they pay a fee to be fixed by the committee of management so as not to exceed Rs. 100 per mensem. If, in addition, they conform to the age limits laid down in Rule 1, they may compete for the guaranteed appointments. No scholarships will be paid to these students.

AN EXTRACT from the RULES for 1897.

1. Candidates for admission to the class through the entrance examination must be statutory natives of India, other than natives of pure Asiatic descent whose parents or guardians are domiciled in Bengal, Madras, and Bombay, and must not be under 17 or above 21 years of age at date of entry to college. No candidate will be examined more than twice, and no one who has studied for more than three months in any class of the college is eligible for admission as a candidate for a Government appointment.

2. Candidates, including natives of pure Asiatic descent whose parents or guardians are domiciled in Bengal, Madras, and Bombay, may be admitted without an entrance examination for purposes of education, and to obtain certificates as assistant engineers, provided that (*a*) accommodation is available; (*b*) they possess the educational qualifications specified in Rule 8, can produce the certificates specified in Rules 5 and 6, can satisfy the Principal that their knowledge of English is sufficient to enable them to pass through the college course; and (*c*) that they pay a fee of Rs. 40 per mensem during the session. If, in addition, they conform to the age limits laid down in Rule 1, and are statutory natives of India, they may compete for the second and third years' scholarships, *vide* Rule 11, and if not natives of pure Asiatic descent whose parents and guardians are domiciled in Bengal, Madras, and Bombay, they may also compete for the guaranteed appointments.

Telegraph Department.

With reference to the Telegraph Department, Mr. Jacob says that the recruitment is so arranged that three-sevenths of the department will eventually belong to the Provincial Service. The total strength of the service being 84, the distribution will eventually be 48 Imperial and 36 Provincial Service. As a matter of fact, as I have already, pointed out, there are only two Indians in the superior grade; and in how many years will the 2 rise to 36? The Public Service Commission recommended, 10 years ago, the gradual reduction of the staff recruited in England, and the recruitment of a superior local Telegraph Service in India from classes established at one or more of the Indian engineering colleges; this has not been done. I desire to call attention to the fact that Mr. Jacob has not given a single word of explanation with regard to the invidious and irritating distinction between Indian and European and Eurasian telegraph masters and signallers in the matter of house allowance, which is given to Europeans and Eurasians but is withheld from natives of India.

Mr. Jacob's Table.

Mr. Jacob sets out a table at page 31 of his evidence, with a view to show that within the last 20 years the employment of natives of India in the higher offices has steadily increased. For facility of reference I reproduce the table in this place.

A.

	1877, April 1st.			1887, April 1st.			1897, April 1st.		
	Bengal, N.W.P., Punjab, Central Provinces.	Madras and Bombay.	Total.	Bengal, N.W.P., Punjab, Central Provinces.	Madras and Bombay.	Total.	Bengal, N.W.P., Punjab, Central Provinces.	Madras and Bombay.	Total.
Above Rs. 2,000 - -	1	—	—	3	3	6	11	5	16
From Rs. 1,500 to below Rs. 2,000	—	—	—	4	2	6	4	1	5
From Rs. 1,000 to below Rs. 1,500	7	—	—	19	8	27	33	25	58
From Rs. 750 to below Rs. 1,000	28	—	—	46	16	62	62	36	98
From Rs. 500 to below Rs. 750 -	121	—	—	221	100	321	243	112	355
From Rs. 250 to below Rs. 500	595	—	—	868	339	1,207	1,132	446	1,578
Total - - -	752	—	752	1,161	468	1,629	1,485	625	2,110

It will be seen that in 1877, in 1887, and again in 1897 the bulk of the increase has taken place in respect of the lowest grade of appointments, carrying salaries from Rs. 250 a month to below Rs. 500 a month. In 1877, out of a total of 752 appointments, 595 were appointments of this class. In 1887, out of 1,629, 1,207 were appointments of this class, and in 1897, out of a total of 2,110 appointments, no less than 1,578 were appointments of this class. If we take the scale just above the lowest and add it to the lowest grade, the paucity of the higher appointments held by natives of India will be still more remarkable. It will be seen that, in 1877, out of 752 appointments no less than 716 appointments carried salaries from Rs. 250 to below Rs. 750 a month. In 1887, out of 1,629 appointments, no less than 1,528 appointments were of this class, and in 1897, out of 2,110 appointments, no less than 1,933 appointments carried salaries varying from Rs. 250 to below Rs. 750. In 1897 we find 16 appointments carrying salaries of over Rs. 2,000. The matter admits of an easy explanation. There are nine Indian judges at the High Courts all over India, and they draw salaries of over Rs. 2,000 a month. The increase which has taken place in the two lowest grades has been largely due to the wider employment of natives of India in the subordinate judicial and executive services owing to the growing administrative needs of the country. In Bengal, the number of munsiffs (civil judges of the first instance) have increased from 262 in 1890 to 289 in 1893, and a further increase in their number took place in 1894 (*vide* Bengal Council Proceedings for 1895, page 185). There is not a single European or Eurasian in the judicial branch of the Provincial Service in Bengal, for the simple reason that no qualified European would serve as a munsiff, the lowest appointment in the service, on the pay of a munsiff, which is Rs. 250 a month. That I am right in this view of the matter, viz., that the bulk of the increase has taken place in the subordinate judicial and the executive appointments will appear from some

figures which appear in the Public Service Commission Report, to which I desire to call attention. It would appear that the grand total of appointments in the executive and judicial services (the uncovenanted or subordinate judicial and executive services are referred to) at the time when the Public Service Commission reported, was 2,588, out of which 2,449 were held by natives of India, and only 139 were held by Europeans and Eurasians (page 37, Report of the Public Service Commission). Now the grand total for 1897 in Mr. Jacob's table is 2,110. This total must include all appointments in the subordinate judicial and executive services, carrying salaries of Rs. 250 a month and upwards. It would therefrom follow that there would be a very large number of appointments in the judicial and executive services in Mr. Jacob's total, and that there would be a small per-centage of appointments in other departments. Even in regard to the offices in the judicial and executive services I have shown in my evidence that the recommendations of the Public Service Commission have not yet been given effect to, though ten years have elapsed since the Commission have made their report.

As regards the minor Civil Services, Mr. Jacob does not meet the allegation which has been made, viz., that there are whole departments from the higher offices of which natives of India are practically excluded. When the complaint made is that natives of India are excluded from the more responsible offices in the Survey Department, the Customs, the Opium Department, the Forest Department, the Police, or the Telegraph Department, it is no answer to say that a large number of offices are held by them in the subordinate judicial and executive services. When again it is urged that the recommendations of the Public Service Commission have not been given effect to in regard to these great departments, the objection is not met by saying that in connexion with the subordinate judicial and executive services these recommendations have been to some extent complied with. When Mr. Jacob analyses the figures, showing the rate of increase of appointments given to Indians under the scales of salaries taken by him, he does not show the departments where that increase has taken place. If he did so, the progress made or the want of all progress would be demonstrated. It was in his power to have made this detailed analysis. That he did not do so must create a presumption against his view of the matter, and must weaken the effect of his vindication. If he did so, I am sure it would be seen that there are whole departments where natives of India have not been employed on a larger scale than before, that indeed there are departments where natives of India have lost ground, where a lesser number of them are now employed in the higher offices than they were employed 20 years ago. I have already referred to Mr. Jacob's silence about the Medical Department. I have analysed the figures of this department, and have shown that fewer natives of India are now employed in the higher offices in this department. There is no lack of qualified natives of India in this department; but there is a growing unwillingness on the part of the Government to employ them in high office. I may here mention only one instance. Surgeon-Lieutenant Colonel R. L. Dutt, now chief surgeon of Hoogly, twice officiated as professor in the Medical College of Calcutta (a professorship in the Medical College is considered a prize appointment). On the office, in which he has twice officiated, becoming permanently vacant, his claims were overlooked, and an English medical officer was appointed.

Conclusion.

In concluding his evidence, Mr. Jacob observes: "I "may perhaps add, with reference to the Chairman's "remark, that there are several criticisms that might "be made on the evidence of Mr. Banerjea and Mr. "Iyer, but I have not submitted a formal note about "them, because most of the points have been covered "by the general evidence which I have given on the "working of the provincial contract system, and the "employment of natives in the public Service. There "are a few other cases in which their figures are in-"correct, but I do not think it is necessary to point "them out in detail."

None of us can claim to be free from mistakes, especially in regard to matters pertaining to the administration, where the sources of information are official. Even Mr. Jacob, with all the sources of official information behind him, is not above committing mistakes. When Mr. Jacob comes to enlighten the Commission about the employment of Indians in the public Service he ought to have known that the important office of a member of the Board of Revenue is not open to the Provincial Service, and that the Public Service Commission did not recommend that the bulk of executive and judicial appointments should be held by Englishmen. A little examination would also have shown him that in the re-organised educational scheme for Bengal, the Provincial Service does not make a permanent provision for the number of appointments (113) that he sets down, and that it has not created fresh appointments for natives of India. When I urge that the provincial governments are starved in the matter of domestic improvements, and that the bulk of the revenue is spent upon Imperial expenditure, all that Mr. Jacob says in reply is that the per-centage of increase of provincial expenditure is higher than the per-centage of Imperial expenditure exclusive of exchange, and that as much is given to the provincial governments as the funds would allow. The question of the per-centage in the growth of provincial expenditure was a matter about which I was questioned by the Chairman. My answer then is the answer which I now give. Without disputing the growth in provincial expenditure, I maintained that it was wholly inadequate for the purposes for which the revenue was assigned, and in this view I am supported by the opinions of the responsible heads of the administration. With the permission of the Commission I will reproduce this part of my examination.

"19,312. Wait a moment, it is 1 in 10 or 10 per cent. Sometimes we hear of India as a poor country; if you could get every five years an increase of 10 per cent. I do not think that that characterises even a poor country, it is a very well-to-do country?—I do not know whether your Lordship has taken that view of the matter. For instance, when the first contract was entered into, the expenditure was actually cut down to the level of the expenditure which had been incurred ten years ago, 1863-64; the expenditure under those heads which were made over to the provincial governments came up to 6,000,000 in 1868 and in 1864 they came up to only 5,000,000; in 1871, when the contract was entered into, they were cut down to the tune of 5,000,000, and then again a further reduction was made to the extent of one third of a million.

"19,313. If these figures are correct, what you get is that in the third quinquennial period you have an increased amount to the provincial governments equal to 33 per cent. upon the whole period?—Yes.

"19,314. And what I call your attention to is that there has been such an increase, which it may be quite possible for you to show is utterly inadequate, but still there is that increase?—I do not dispute the fact of the increase; even in Bengal, in 1892-93, the provincial share was 4 crores 16 lakhs, it is now 4 crores 54 lakhs. I do not dispute the fact of the increase, but what I do contend for is that the increase has not been adequate to the wants of the province."

When Mr. Jacob speaks of "a few other cases in "which our figures are incorrect" it is only due to us that he should have specified those cases. This he has not done. I do not, indeed, find in Mr. Jacob's statement which has been sent to us that he has challenged any of my figures. He has sought to draw conclusions favourable to the view which he supports upon the basis of figures supplied by himself. I have not been provided with a copy of his Appendix.

APPENDIX No. 92.

A FEW NOTES on Mr. S. JACOB'S SUPPLEMENTARY EVIDENCE; by Mr. G. SUBRAMANIA IYER.

My opinions on the provincial contract system were based chiefly on those expressed with striking unanimity by provincial Governments, and on the figures given in Sir Henry Waterfield's tables. The figures of Mr. Jacob differ from those of Sir Henry, and the difference between the two sets of figures is reconciled by Mr. Jacob in his "Table A." But as I do not find this Table A. in the copy of Mr. Jacob's supplementary evidence sent to me by the Commission, I am not able to comment on Mr. Jacob's reconciliation.

According to Mr. Jacob's statement, while the increase in the provincial expenditure since the second quinquennium has been 19·6 per cent., that in the Imperial expenditure has only been 7·7 per cent. If this were so, the complaints of the provincial Governments that the system operates harshly on them would be unfounded. It is to be remembered, however, that the heads of these Governments are responsible administrators—not mere "dabblers in politics"—and it may be assumed that they had fair ground for their complaints. There must be something wrong, therefore, between the two methods of presenting the effect of the system. It is to be regretted that the Commission have not before them the evidence of representatives of provincial Governments.

From the Imperial net expenditure Mr. Jacob excludes the charges on account of exchange. To this I object, because the increase in the charges for exchange is due greatly to increase in the sterling expenditure of Government, and the Chairman of the Indian Parliamentary Committee, Sir W. Wedderburn, has proved in a representation to this Commission that if only the Government of India had exercised in its expenditure that economy which it was bound to exercise, the whole charges of exchange could have been met without fresh taxation. "Looking at these figures" (para. 13, page 101, vol. II., first instalment of the Commission's Report), "it is clear that the cost of exchange has not "outstripped the increase in the revenues. Indeed, "during these 10 years the increase in the revenues "has been nearly enough to pay the increased loss by "exchange twice over. It is therefore obvious that "Mr. (Sir) James Westland is in error when he "asserts that the one and only cause of the existing "financial trouble is exchange." It is not a fact that the difficulties of exchange were beyond the control of the Government. They were anticipated fully before the period of increase in military expenditure. In the face of these known difficulties, the Government of India deliberately increased the army, and plunged into a series of costly military enterprises. I fully agree with the contention of the Bombay Presidency Association, in a memorial which it addressed to Government in March 1894, that the true causes of the financial difficulties have been: "The appalling growth "of military expenditure in all its ramifications during "the past eight years, in the increased charges or "army services, arms, and ammunitions, stores, military roads, special and strategetic railways." "The "large growth again," this Association added, "of the "charges on account of civil salaries and establishments must be next held responsible. Upper Burma "is a third cause which has grieviously burdened the "general revenues of the Empire. And, lastly, the "unjust compensation allowance to the services." The Government of India deliberately misused its resources, and cannot be allowed to escape from the responsibility of its action. I therefore hold that it is unfair to the taxpayers, and to provincial Governments, to treat the loss on exchange as some Heaven-sent calamity which could not be foreseen, and against which no precaution was possible. From the net expenditure of the Government of India, the expenditure on account of exchange should not be omitted. If these latter amounts were included, the figures would be as follows:—(Tables I. and XXI. of Sir H. Waterfield.)

Year.	Total Net Expenditure.	Provincial Net.	Imperial Net.
	In Crores of Rupees	In Crores of Rupees.	In Crores of Rupees.
1882–83	41·79	10·98	30·81
1883–84	49·66	10·83	30·83
1884–85	41·90	11·62	30·28
1885–86	45·43	12·27	33·16
1886–87	44·55	12·12	32·43
1887–88	47·37	12·35	35·02
1888–89	46·44	12·52	33·92
1889–90	47·34	13·10	34·24
1890–91	45·66	12·64	33·02
1891–92	49·50	13·60	35·90
1892–93	52·43	13·40	39·03
1893–94	51·87	13·33	38·54
1894–95	52·74	13·13	39·61
Increase in 1894–95 over 1882–83	10·95	2·15	8·80

Mr. Jacob says: "As far as the resources of the "Government have been available, the provincial "Governments have had their full share of them." But I submit all the resources that might have been made available were not made available. The system of provincial finance should be so designed as to secure, among other objects, the object of placing a check on the extravagance of the supreme Government, and this end will not be attained if the supreme Government spends its revenues as it likes, and tells the provincial Governments that no more resources are available for their benefit.

If the taxes imposed for Imperial purposes are not to be shared with provincial Governments, then those taxes which are not imposed for Imperial purposes should not be claimed by the Imperial Government. Such a division of the taxes will lead to a declaration—which is very desirable—that certain sources of revenue are Imperial and other sources are provincial. If such a division could be made, and if the Imperial Government could be confined to the resources thus set apart, plus any contribution in a lump that may be necessary from provincial Governments, we shall arrive at a satisfactory system which, while giving more scope for the development of the provinces, will bring home to the Imperial Government more closely than the present system does, its responsibility for the contentment and prosperity of the people.

Mr. Jacob says that if the army expenditure had not been increased, and low exchange had not crippled the resources of Government, taxation would have been reduced and further expenditure incurred for internal improvements. Now, since the army expenditure was increased additional taxes have been imposed, and exchange which was the Government's old enemy has been its friend these three years. The revenues have increased, and the expenditure has been reduced. But has there been a relaxation in the strain on the finances? If the silver rupee has risen in value, famine has intervened, and the frontier war is in full swing. The effect of these two events on the finances will continue for some years, and by the time the financial position becomes stable, another war or famine or some unforeseen calamity might occur, and the period of depression will again commence. The fact is, the Government is going on without a margin even in ordinary times, and, in the face of the least disturbance, it is helpless, and gets embarrassed. To provide some means by which an effective check can be exercised on the financial administration from year to year is the only remedy. An improved system of

provincial finance, on the lines suggested by the Indian witnesses, would be one means of exercising this check on the Government of India.

In reply to Questions 19,942–43, Mr. Jacob makes a quotation from a letter of the Government of India to the Madras Government, which is as follows: "A view " of Indian finance which regards the sums appro- " priated to such purposes as (1) the maintenance of " the Madras army; (2) the payment of leave allow- " ances and pensions of Madras officers; (3) the loss " upon the Madras Railway; (4) the Carnatic and " Tanjore stipends, and other numerous similar " charges, as a Madras contribution to the Imperial " fisc, is one so essentially erroneous, that the Govern- " ment of India take for granted that the Govern- " ment of Madras do not use this expression in the " sense in which it is often publicly used." It is to be regretted that Mr. Jacob was not asked what was the Madras Government's reply to this letter. I do not quite understand in what sense the items of expenditure mentioned above can be called provincial. Mr. Jacob admitted that in so far as "they are incurred and " charged against the Imperial Government directly," they are Imperial expenditure. I may add all control over this expenditure is vested in the Government of India, provincial Governments have nothing to do with it. It is indeed quite possible that certain expenditure which is now, for political or other special reasons, shown under Imperial, might be transferred to provincial, and the Carnatic and the Tanjore stipends are of this kind. But in what sense the payment made to meet the loss of the Madras Railway, of which the local Government had nothing to do with the financing, the construction, or the management, can be called provincial I do not understand. The payment made will be consumed in England. Similarly, the Madras army is only a conventional name; it is not maintained exclusively or chiefly for any purpose connected with Madras. Of course, the Madras army would be serviceable in quelling a disturbance in Madras. But that is only incidental, and the local Government could prevent such disturbances if it is allowed to do so. In no sense can the Madras army be said to be maintained as much for the sake of Madras as for the Empire as a whole. The Madras army served in the Burmese wars, and it is now engaged on the frontier. The Madras Government cannot increase or decrease the expenditure, and cannot transfer a portion of it to any other object.

The fact of the matter is, India is too big an empire —and it is becoming bigger and bigger—for its finances to be controlled satisfactorily from one centre. The provincial Governments cannot possibly understand or sympathise with all the needs of the supreme Government. It is very easy for the supreme Government to snub the subordinate Governments when they clamour for increased allotments and explain away their pressure by analogies with the Home Government or by attributing it to human nature. But so long as the system remains on its present basis, it will continue to cause irritation and have the demoralising effect to which his Excellency the Governor of Madras referred. "It must be borne in mind," Mr. Jacob said, "that at " the revision the provincial Governments are arguing " for an increase of the share of the total resources at " the disposal of the Government of India. They have " constantly brought before them important projects " of expenditure, and these are pressed upon them now- " a-days, not only by the heads of Governments, but " by the members of the Legislative Councils, who, in " recent years, have become in a much more indepen- " dent position than they were a short time ago. Sir " James Westland referred, in the last Budget debate, " to the pressure which was put on provincial Govern- " ments in this way as a danger to provincial finance " under existing circumstances. Then, impressed as " they are with the importance of these projects, they " find their resources cut down, for, undoubtedly, at " the time of revision there is an immediate cutting " down of provincial resources, not indeed to the same " level as at the beginning of the previous contract, " but to an appreciable extent as compared with the " resources which were in the hands of the provincial " Government in the previous year. This reduction " of resources looms large before the head of a spending " department or of a province, and obscures his vision " of the very real progress which has been made in " the past, and of the higher standard from which each " fresh revision starts." This is Mr. Jacob's explanation of the state of things. But this is only an explanation and contains no remedy for improvement. The sense of injustice, the feeling of irritation, and on the whole the demoralising effect, that the present system produces, mark a condition of things which cannot be allowed to remain for ever.

The only remedy is to divide the responsibility for, and control over, the expenditure of the empire between the Government of India on one side and the provincial Governments on the other. For the raising of certain revenues and the expenditure of them the provincial Governments should be entirely responsible within a sphere carefully defined, and for all Imperial needs the Government of India should depend as a rule on the resources assigned to it. Whatever may be the case with other provinces, so far as the Madras Presidency is concerned, it will derive material benefit from a self-acting system such as I propose. I entirely concur in Sir Arthur Havelock's opinion that "the financial " condition of this Presidency will never be satisfactory " until a larger degree of financial independence and " control is conceded to the provincial Government, " and until some arrangement more constant and " permanent and less one-sided than the present " contract system has been adopted." Sir James Westland says: "Where the revenues progress at a " reasonable rate and thus provide sufficiently for " the requirements of administrative expenditure, a " permanent contract might remain in force; but " where this is not the case, and especially where " famine and other abnormal disaster occurs, the " Government of India must step in and relieve the " provincial Governments by additional assignments." But the revenues do not provide sufficiently for the expenditure, because the Government of India is subject to no check in its expenditure. If it were limited to certain well-defined sources of revenue which it should not exceed by encroaching on provincial resources, it would be more careful in its expenditure. Famine and abnormal disasters occur no doubt, but advanced provinces like Madras are well able to meet them from their own resources. Much of the evil arises from the Government of India having to meet the wants of the undeveloped provinces from the resources of other advanced provinces. The principle laid down by Lord Elgin that the same body that imposes the taxation must be responsible for the expenditure is sound, but the provincial Governments might be given the responsibility for taxation and expenditure alike. Surely the provinces of Bengal, Bombay, and Madras are advanced enough for a large degree of financial independence.

Sir James Westland says in his last financial statement that Government looks to the wealthy maritime provinces of Bengal, Bombay, and Madras for obtaining the means for that redistribution of resources, which is one of the objects of the quinquennial revisions. If such is the object of the quinquennial revisions, these provinces would cry, "save us from these revisions." There is no reason why Peter should be robbed to pay Paul; why the people of Madras should be taxed in order that Burma, Beluchistan, or even the Punjab may be prosperous. The chief principle should be that each province should rely on its own resources for its advancement. It is enough that the different provinces constituting the Empire have to pay for the common needs of the Empire, for its protection against foreign invasion and for its internal peace and order, for its common indebtedness and for such other purposes as involve the common well-being of the whole. But if the Punjab wants more money for its education, or Burma for its railways, or the Central Provinces for some other purpose, it is absolutely unreasonable that Madras, Bombay, or Bengal should be made to find the money. England's empire in Asia will go on expanding on all sides, and is the ryot of Madras to be taxed to find the cost of developing every fresh acquisition? How do the native states develop? The Imperial Government gives them no help. For their railways, for their public works, for all the needs of their progressive administration, they find the money from their own unaided resources. Why should not the different British Indian provinces get on likewise?

I shall make a few remarks on the proposals which Sir James Westland made while speaking in the Viceregal Legislative Council in March last with a view to place the system of provincial finance on a more satisfactory basis. To these proposals Mr. Stephen Jacob referred in his supplementary evidence before the Indian Expenditure Commission, and said that though they were in an embryo state, and the Government had not adopted them, they would certainly receive consideration. It is very important that these proposals

should be considered by the Commission and that their defects noted. They were laid down by Sir James Westland himself as follows:

"Now it strikes me that it would be well to separate off the whole of this class of expenditure, whether it is met out of local taxation, or whether it is, as at present, largely met out of the general revenues, into a separate account, and, in respect to that separate account, to make a permanent assignment from general revenues, to the local Government. There would be no revision wanted in a contract of that kind. If, for example, we found that we could separate off the whole of that expenditure as it stands in Bengal, we would say that for this expenditure a certain definite sum fixed once for all would be given out of general revenues, in addition to local taxation, to cover the whole amount; then we might make that portion of the account an absolutely separate one. We would treat it as a separate branch of finance under the local Government and under the local councils. The result would be that the local councils, when they pressed, as they are constantly pressing (and I do not in the least degree wish to indicate that their action in pressing is unreasonable on their part), but when they press for expenditure of that kind they would know that they would have to find the means for it by some sort of local taxation. That is the theory of financial control and responsibility; the whole theory is that those who press for expenditure should know that they will have to bear the burden of it."

The theory, no doubt, is sound, and I think the local Governments would be perfectly satisfied if they were given a fair scope for the exercise of the responsibility they are willing to bear. It is because they are given the responsibility for the progress and well-being of their provinces—a responsibility which has been made considerably keener since the recent reconstitution of the Legislative Councils—and are refused adequate resources to meet that responsibility from, than the existing system has caused such general dissatisfaction. Let me consider whether the present proposals are calculated to do full justice to the provincial Governments as chief guardians of the civil welfare of the population within their jurisdiction. Under the proposed arrangements the provincial revenue and expenditure would be separated in every province into two classes, one being the general account, that is, the provincial branch of the Imperial account, and the other the local account. In regard to the general account, the existing system will continue, that is, the revenue and expenditure represented in this account, will be subject to periodical revision as at present. But in regard to the local account, the revenue will consist of the proceeds of certain entirely local taxes and a lump assignment from the Imperial revenues subject to no periodical increase or decrease. Local taxes are now levied for local purposes, but the provincial revenue, as well as the purely local revenue, is applied for these purposes. Local boards bear only a portion of the expenditure for medical purposes, for educational purposes, for roads, and various other things, and this is the class of expenditure, Sir James Westland reminds us, in which local councils are most urgent. It includes a class of expenditure which is most urgent in many provinces, namely, that of sanitary improvement. But, as matters stand at present, the local taxation is nowhere equal to meet the whole of this expenditure, and the consequence is, Sir James Westland points out, that when the local Governments are pressed to find funds for this class of expenditure, they demand increased assignments from the revenues at the disposal of the supreme Government. This Sir James Westland wants to stop. If more funds be wanted, he would drive the local Governments and local councils to local taxation and to increased burdens on local boards, the contribution from the supreme Government for this class of expenditure being fixed and permanent.

Now, these proposals are good so far as they go, but they certainly do not go far enough, and would not meet the objections which the local Governments have raised against the existing system. These Governments are at present responsible, not merely for the class of expenditure specified by Sir James Westland, but also for other heads of expenditure, either wholly or partially, such as land, revenue, stamps, excise, customs, assessed taxes, forest, registration, general administration, law and justice, police, jails, famine relief, irrigation, &c. And it is obvious that so far as these heads of expenditure go, the defects of the present system will remain, under Sir James Westland's proposals, unremedied. In calculating, however, the expenditure in which local Governments are pressed by local public opinion for constant increase, we do not think Sir James Westland has erred on the side of liberality. The local public are no doubt deeply interested in expenditure on education, medical relief, and sanitation, but they are equally interested in a cheap and improved system of judicial administration, in an honest and efficient police, in a popular system of forest administration, in prompt and effective measures of relief in times of famine which unfortunately recur at short intervals, and in the extension of a certain class of irrigation works. The local Governments should be placed in possession of funds sufficiently elastic for these purposes; and in regard to these, as well as the others indicated by Sir James Westland, these Governments should be given greater independence. The fixed assignment in a lump, as proposed by the Finance Minister, would be, we suppose, available only for the purposes specified, and the local Government will have its scope considerably narrowed for the efficient discharge of its general responsibility. The proposals would have the effect of the local Government being constantly tempted to have recourse to increased taxation, while it will have no scope for counteracting, by remission of taxation, the unpopularity it will necessarily incur. Increased expenditure can be met, not merely by adding to the burden of taxation, but by effecting economies and adopting retrenchments in expenditure. The proposals under consideration place at the disposal of the local Government the odious method, that of adding to the burden of taxation, but withholds the other two popular means of finding money. The radical defect in Sir James Westland's plan is that he assumes that it is the provincial Governments that require to be checked against undue increase of expenditure. But, as a fact, these Governments are more amenable to public opinion, and command greater confidence. The people understand better the purposes for which local Governments spend money, and are, therefore, in a better position to pass effective criticisms on these branches of local administration. It is not, therefore, the local Governments, but it is the supreme Government that is in need of the check which an improved system of financial administration will impose on the expenditure of public funds. Instead of the provincial Governments receiving, in addition to certain sources of revenue declared wholly provincial, a fixed grant in lump from the supreme Government, it is to the latter that a system of this kind should be made applicable, so that whenever it makes up its mind to undertake costly military enterprises, it should have no resource but borrowing or additional taxation to fall upon; it should have no famine protection fund to misappropriate, no provincial balances to sweep away, and as few heads of expenditure as possible to contract in order to squeeze out the required money.

G. SUBRAMANIA IYER.

21st October 1897,
Madras.

APPENDIX No. 93.

NOTE ON SIR J. WESTLAND'S BUDGET, 1895–6.

Handed in by Mr. Morgan-Browne.

1. In the summer of 1894 this Committee drew up a Note on Mr. (now Sir James) Westland's Budget for 1894–5. That Note was submitted to all members of the House of Commons, and widely circulated in India. Sir Auckland Colvin, an ex-Finance Minister of the Government of India, in an article in the *Nineteenth Century* for October 1894, gave it as his opinion "that "there are good grounds for the assertion in the "recent 'Note' presented to Parliament by Sir "William Wedderburn, that it is more the growth of "expenditure than the fall in Exchange which has led "to the present difficulties" (*Nineteenth Century* for October 1894, p. 662). This Note was largely founded on a memorial drawn up by the Bombay Presidency Association, and submitted to the Government of India at the time of the Budget debate in the Viceroy's Council at Calcutta in 1894. Two criticisms alone of those passed by Sir J. Westland on the figures thus presented appear to call for comment. One (*a*) relates to the methods pursued in presenting the accounts; the other (*b*) to the dates selected for comparison.

2. As to (*a*) the methods pursued. Speaking in the Viceroy's Council on March the 28th last, and referring to the documents above mentioned, Sir J. Westland said that there was one "gigantic blunder which appeared in the very first page of it." He then continued: "What they wished to prove was that expen- "diture had increased from other causes than "Exchange; what they actually did was to pick "out the figures which are placed in the column of "Exchange in the Annual Statement of Accounts, and "deducting them, to compare the others. . . . The "fall of the rupee, however, directly increases our "expenditure under many other items. For example, "we are bound to pay to the British soldier his pay in "sterling. That expendiuure, however, is paid in "rupees, and the whole of it is shown in the rupee "column and not in the Exchange column at all. Then "there is also the Exchange Compensation. . . . . "That expenditure also is one that is shown in the "rupee column and not in the Exchange column. . . . "The result is that, if any person desires to prove that "the expenditure has risen from other causes than "Exchange, he has to allow not only for the figures "which are entered in the Exchange column of our "estimates, but also for those direct increases due to "this cause which are entered in the rupee column." The answer to this criticism, which in itself is a severe if unintentional condemnation of the methods adopted by the Government of India in presenting their accounts, is that the tables at pp. 6 and 16 of the Note (upon which the conclusions in the Note were principally based) were drawn up by strict adherence to the figures and methods of presentation used by the Government of India in their Financial Statement.

3. As we understand it, the sole object of the column headed "Exchange" in the Accounts of the Government of India is to show exactly the burden placed upon Indian Expenditure which may be properly attributed to the fall in Exchange. If the sterling pay of the British soldier causes an increased rupee expenditure through the fall in Exchange, upon what grounds is this increased expenditure not shown in the Exchange column? Similarly, if Exchange Compensation Allowance is an expense which is entirely due to the fall in exchange, and varies directly with exchange, why is not the expenditure in connection therewith shown in the column headed "Exchange"? For it must be remembered that, so far as the Indian taxpayer is concerned, *all* the expenditure of the Government of India has ultimately to be met by rupee payments—the Secretary of State's bills being merely a convenient medium for paying the rupees in England. It is for Sir J. Westland to explain upon what grounds these two items of expenditure are not shown in the Exchange column.

4. The fact that analytical statements of account prepared with the utmost care from official figures are liable to attack because they have followed too faithfully the tables submitted to Parliament and the public by the Government of India, is no mean indication of the insufficiency and intricacy of the accounts of the Government of India. When, too, an examination of former financial statements shows that a Finance Minister of India—Sir James Westland himself—prepared and published a table compiled from the Government accounts which exhibits the same "gigantic blunder," it is clear that the accounts must at any rate lend themselves to variety of treatment, if not to obscurity of interpretation. At p. 8 of the Financial Statement of the Government of India for 1888–9 is a table which was submitted to the Viceroy's Council by Sir James (then Mr.) Westland, when introducing a Bill to provide for the levy of a customs duty on petroleum. Referring to this table, he used the following words: "The abstract I now put forward will "be very easily traced back into its component figures "in the published accounts; its main peculiarity is "that, besides showing the expenditure heads net "instead of gross, I have separated the exchange "figures, so that I may show first how the comparison "would have stood had there been no alteration in the "exchange, and I have then shown in a separate "figure the extra charge falling upon us on this "account." In this abstract the amount due to the loss by exchange on the sterling pay of the British soldier has been included in the net army expenditure (excluding exchange), although for the three years shown this amounted, according to a recent Parliamentary return, to Rx. 46,000, Rx. 184,000, and Rx. 437,000 respectively. Here are the figures as given in Sir J. Westlands's Table, and corrected so as to exclude exchange altogether:—

	Accounts, 1883–4.	Accounts, 1884–5.	Budget Estimate 1887–8.
	Rx.	Rx.	Rx.
Net Army Expenditure *excluding Exchange*) as shown in Sir J. Westland's Table - -	16,019,000	15,200,000	16,907,000
Deduct:—Rupee Expenditure (due to fall in Exchange on sterling pay of British troops) improperly included in above -	46,000	184,000	437,000
Corrected figures (Exchange altogether excluded) - -	15,973,000	15,016,000	16,470,000

5. As to (*b*) the dates adopted for comparison. In the discussion on the Financial Statement which took place in the Viceroy's Council on the 27th March, 1894, Sir J. Westland, referring to some recent criticisms on the Budget, made the following remarks: "As regards "military expenditure, I think there is some mis- "apprehension of the argument I used on 1st March. "The increase of military expenditure I admitted, "but I pointed out that it had its origin before 1888. "My argument was that that increase had been met "by the fiscal steps we had recourse to in 1888, and "that the new necessities that arose since 1888 were "due to Exchange, and Exchange alone." In this present Note it is proposed to meet this criticism, partial as it is, by adopting the accounts for 1888–9 as a starting point, and comparing them with the Budget estimate for 1895–6. Even taking the year 1883–9 as the starting point, it will be seen that loss by Exchange is not the sole cause of the existing financial difficulties, but that the increase in civil and military expenditure is the true source of the present embarrassment in Indian Finance.

6. Before proceeding to discuss Sir J. Westland's Budget, it is necessary first to deal with a remarkable Statement of Account which Sir J. Westland had prepared for the Budget debate in the Viceroy's Council. In this statement Sir J. Westland has taken the net income and expenditure for 1883–4 onwards, and con-

verted it from rupees into pounds sterling, with the not unnatural result that as 500 million rupees then were worth far more in English money (*but not in Indian produce*) than even 650 million rupees now, an apparent but utterly illusory decrease in net Indian revenue and expenditure is shown. The fallacy of such a table is almost too obvious to need exposure, were it not that an Indian Finance Minister produces it in all seriousness as a proof, that in spite of additional taxation to meet an increasing expenditure which is outstripping the natural increase in the revenues, the Indian taxpayer is contributing less, and the Indian civil and military services are spending less, than they were only eleven years ago. Here are Sir J. Westland's words:—"There is first of all the head of Military "Services, in which we are told such an immense "increase of expenditure has taken place. The state- "ment I have drawn up carries on the expenditure "from the time before the increase of the native and "British army in 1886. It will be seen that the "expenditure upon the army at the beginning of the "period was about 14 millions sterling. It has now, "notwithstanding that increase, come down to 13½ "millions sterling." Then, with reference to the Civil Services, he said:—"Here also I would wish to "point out that the expenditure has decreased. In "the first three years it was 15·2 millions sterling, "now it has come down to 11·8 millions. So that here, "if you take the measure in sterling, the other ser- "vices of the Government in all departments have "immensely decreased in their burden. The result of "all this naturally is that we have been lightening the "incidence of the revenue and taxation." Finally, he put forward this claim:—"I think that the Govern- "ment of India can show by the account I have to-day "presented, that it has practised most marvellous "economy, and has been able to meet this perpetually "increasing demand without throwing correspondingly "enhanced burdens upon the taxpayer."

7. Sir J. Westland states for the purposes of this table that "a rupee of burden now is less than what a rupee of burden used to be." The annual averages of prices current in British India given at pp. 278–293 of the last Statistical Abstract for British India (1894) do not bear out this statement. If "a rupee of burden now is less than what a rupee of burden used to be," a rupee would represent a smaller amount of produce now than it did formerly. For instance, if this statement be true, where a man had formerly to sell, say twelve measures of corn to get a rupee, he would now have to sell only ten. This is the same thing as saying that prices of commodities must be higher than they were: in other words, prices must have gone up in terms of the rupee. But prices have done nothing of the kind. Looking at these tables we are at once struck by the immense fluctuations from year to year, and as between district and district; but in no case is there a steady progressive rise of prices which could be said to correspond with the fall in Exchange. To take a few prominent examples. Bengal has more acres under rice than all the other provinces of India taken together, yet in 1879, when exchange was at 1*s.* 8*d.*, we find that in Calcutta the rupee would purchase 10·83 seers of rice; and in 1892, when exchange was at 1*s.* 3*d.*, the rupee would purchase 10·9 seers, or practically the same amount. Taking the same two years, we find that wheat has either remained stationary or slightly fallen in price throughout the whole of India, in spite of a growing export trade; while such typical staples as jowar and bajra have generally declined in price throughout Bombay, Madras, the North-West Provinces, and the Punjab

8. The meaning of this is clear. A rupee of revenue now paid by the Indian taxpayer represents, roughly speaking, the same amount of produce (and in some cases rather more) than a rupee of revenue used to represent before the great fall in Exchange. So far as agricultural statistics prove anything, they prove an absolute want of correspondence between the purchasing power of the rupee in India and its exchange value with foreign countries using a gold standard. Further, these average annual prices seem to point irresistibly to the conclusion, that over a long series of years a rupee of burden now is *not* less than a rupee of burden used to be.

9. The fallacy, then, is the assumption that with a low exchange the Indian taxpayer can get more rupees for his rice, wheat, or other produce, because an English banker can get more rupees for his sovereigns than formerly. As between England and India the rupee merely represents so much silver, the value of which in England is liable to be affected by the fluctuations of supply and demand; but in India the rupee is the only legal tender, and therefore the only standard of the value of the whole produce of the country. In England silver has fallen in value in relation to gold, but in India the rupee has not materially changed in value in relation to produce; consequently the value of the rupee in pounds sterling in England has no connection with its value in produce in India.

10. In order to show how misleading such methods of comparison may be, let us see what would be the effect of converting Imperial Expenditure or the National Debt into rupees in 1883–4 and 1893–4, at the exchange of those years respectively. The results of this comparison are sufficiently startling, as the following figures indicate:—

Imperial Expenditure (Net) 1883–4.—75,000,000*l.*=(at Rs. 12=1*l.*) Rx. 90,000,000*l.*

Imperial Expenditure (Net) 1893–4.—79,000,000*l.*=(at Rs. 16=1*l.*) Rx. 126,400,000*l.*

Increase in ten years.—4,000,000*l.*, *or* Rx. 36,400,000*l.*

To complete the calculation, if we now re-convert the increase of Rx. 36,400,000 into sterling at the rate of the year (Rs. 16=1*l.*) we find that our expenditure really increased during the decade by 22,750,000, although a benighted system of keeping the accounts only disclosed an increase of 4,000,000*l.* Again,—

National Debt, 1883–4. 746,000,000*l.*=(at Rs. 12=1*l.*), Rx. 895,200,000.

National Debt, 1893–4. 666,000,000*l.*=(at Rs. 16=1*l.*), Rx. 1,065,600,000.

Decrease or increase—80,000,000*l.or* +Rx. 170,400,000.

Again re-converting we find that while Englishmen were under the mistaken impression that during these ten years the debt had been *reduced* by 80,000,000*l.*, it had in reality been *increased* by no less than 106,500,000*l.*

11. It is well known that Indian Accounts do not lend themselves readily to comparisons from year to year. Changes in the form of presenting those accounts, the fluctuating value of the rupee, and the fact that the Government of India engages in large commercial undertakings, such as the railways and irrigation, all tend to make hasty comparisons illusory. Attempts have been made from time to time with more or less success to meet these difficulties. Thus the principal effects of a falling Exchange may be now clearly discriminated from 1875–6 onwards, thanks to a table prepared by the Government of India and published as Appendix III. of the Financial Statement for 1886–87, the accounts of later years being all presented in the same form. As has been noted, however, the cost of Exchange Compensation Allowance and of the sterling pay of the British soldier, which automatically increase with the falling rupee, are not yet differentiated in the tabular statements of account. The desirability of showing the net income and expenditure of the Government of India in a more rational form than that formerly adopted in Appendices to succeeding Financial Statements has been recognised by the issue of a "Return of the Net Income and Expenditure of British "India under certain specified heads for the ten years "from 1883–4 to 1892–3," dated India Office, 13th July, 1894. This Return, however, issued on Mr. Fowler's motion, is not altogether satisfactory. The principal Tables in this Note have been prepared to a large extent in the form therein adopted, but in some of the items of account considerable modifications have been made with a view to giving a more accurate statement of the Net Income and Expenditure of the Government of India. The reasons upon which these modifications are based are given in a Memorandum appended to this Note (Appendix A.).

12. To come now to the Budget for 1895–6. In the last seven years the gross Revenue and Expenditure of British India have increased by about 15¼ millions of tens-of-rupees as the following figures show:—

	Accounts, 1888–9.	Budget, 1895–6.	Increase.
	Rx.	Rx.	Rx.
Gross Revenue -	81,696,678	96,924,300	15,227,622
„ Expenditure -	81,659,660	96,878,100	15,218,440
Surplus - -	37,018	46,200	9,182

During that same period the increase in Net Revenue and Expenditure, according to statements E. and F., published on pp. 86, 87, of the Financial Statement for 1895–6, and founded on Mr. Fowler's Return above mentioned, was about 8¼ millions of tens-of-rupees.

	Accounts, 1888–9.	Budget, 1895–6.	Increase.
	Rx.	Rx.	Rx.
Net Revenue	55,616,588	63,741,100	8,124,512
„ Expenditure	55,579,570	63,694,900	8,115,330
Surplus	37,018	46,200	9,182

Or according to the statement of Net Revenue and Expenditure prepared for this Note and given below, the increase in the last seven years has been Rx. 8,076,503 in Net Revenue and Rx. 8,067,321 in Net Expenditure.

	Accounts, 1888–9.	Budget, 1895–6.	Increase.
	Rx.	Rx.	Rx.
Net Revenue	57,325,997	65,402,500	8,076,503
„ Expenditure	57,288,979	65,356,300	8,067,321
Surplus	37,018	46,200	9,182

13. The following Tables give in sufficient detail the differences between the net revenue and expenditure of British India, as shown in the Accounts for 1888–9, and as estimated by the Finance Minister for 1895–6. The amounts given include expenditure in England and that on account of Exchange.

TABLE I.—Showing the NET REVENUE of the GOVERNMENT of INDIA under certain specified heads, as shown in the Budget Estimate for 1895–6, compared with that shown in the Accounts for 1889. [Rx. 1=Rs. 10.]

	Accounts, 1888–9.		Budget, 1895–6.		Increase (+) or Decrease (−).	
	1.	2.	3.	4.	5.	6.
I. Land Revenue: (Less Refunds and Drawbacks)	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.
1. Land Tax	22,970,289		26,322,800		+3,352,511	
2. Forest	1,347,174		1,639,900		+292,726	
		24,317,463		27,962,700		+3,645,237
II. Opium: (Less Refunds and Drawbacks)		8,562,270		6,860,500		−1,701,770
III. Taxation: (Less Refunds and Drawbacks)						
1. Salt	7,630,297		8,658,600		+1,028,303	
2. Stamps	3,883,338		4,596,200		+712,862	
3. Excise	4,678,961		5,505,300		+826,339	
4. Provincial Rates	3,037,374		3,648,000		+610,626	
5. Customs	1,301,861		4,676,900		+3,375,039	
6. Assessed Taxes	1,504,588		1,785,200		+280,612	
7. Registration	330,758		421,400		+90,642	
		22,367,177		29,291,600		+6,924,423
IV. Miscellaneous:						
1. Tributes	745,233		789,500		+34,267	
2. Gain by Exchange	951,453		88,400		−863,053	
3. Miscellaneous	382,401		409,800		+27,399	
		2,079,087		1,287,700		−791,387
GRAND TOTAL		57,325,997		65,402,500		+8,076,503

TABLE II.—Showing the Net Expenditure of the Government of India under certain specified heads, as shown in the Budget Estimate for 1895–6 compared with that shown in the Accounts for 1888–9. [Rx. 1=Rs. 10.]

	Accounts, 1888–9.		Budget, 1895–6.		Increase (+) or Decrease (−).	
	1.	2.	3.	4.	5.	6.
I. Collection of Revenue: (including Assignments and Compensations)	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.
1. Land and Forest	5,338,098		6,299,200		+961,102	
2. Opium	2,599,574		2,760,300		+160,726	
3. Other heads	1,571,606		1,896,300		+324,694	
		9,509,278		10,955,800		+1,446,522
II. Debt Services		3,870,437		3,310,400		−560,037
III. Civil Services:						
1. Civil Departments	11,505,582		13,749,300		+2,243,718	
2. Miscellaneous Charges	4,425,452		5,648,000		+1,222,548	
3. Buildings and Roads	3,640,317		4,044,100		+403,783	
		19,571,351		23,441,400		+3,870,049
IV. Military Services:						
1. Army	19,239,478		24,341,500		+5,102,022	
2. Military Works	1,065,662		1,120,500		+54,838	
		20,305,140		25,462,000		+5,156,860
V. Commercial Services:						
1. Post Office and Telegraphs	22,856		−119,600		−142,456	
2. Mint	−121,171		−3,900		+117,271	
3. Railways	2,233,392		2,148,200		−85,192	
4. Irrigation	722,246		566,200		−156,046	
		2,857,323		2,590,900		−266,423
VI. Special Services:						
1. Famine Relief	78,336		55,000		−23,336	
2. Construction of Railways	22,401		9,400		−13,001	
		100,737		64,400		−36,337
VII. Special Defence		789,595		154,700		−634,895
VIII. Provincial Surplus or Deficit		+285,118		−623,300		−908,418
GRAND TOTAL		57,288,979		65,356,300		+8,067,321

14. In order to understand the full significance of the above tables it will be necessary to find out in the case of the increase in the Revenues how much is due to increased taxation; and in the case of the increase in the expenditure, how much is due to the increased cost of exchange. While it will also be necessary to note under what heads of expenditure the increase (apart from that due to exchange) has taken place.

15. After the new taxation imposed in January, 1883 —namely, (1) an enhancement of the Salt Tax; (2) an import duty on petroleum; and (3) the extension of the Income Tax to Lower Burma—no new taxation of importance was resorted to until the recent imposition of general import duties, including, still more recently, those on cotton goods. These new import duties together account for about Rx. 3,000,000 of the total increase in the revenues of about Rx. 8,000,000 (Financial Statement, 1895-6, p. 10, para. 35), leaving about Rx. 5,000,000 as the net increase in the net revenues in seven years on the basis of taxation existing in 1888-9. Three points only in connection with this increase require special notice:

1. The large increase in the land revenue of Rx. 3,645,237 is largely due to enhancement of assessments as the product of active settlement operations, and also, as to about Rx. 200,000, to a new Patwari cess in the North-West Provinces and Oudh.
2. The increase of Rx. 1,028,303 in Salt is partly due to the fact that the new duty materially checked consumption in the first year of its imposition (Financial Statement, 1888-9, pp. 9–10).
3. The large decrease in Miscellaneous Receipts of Rx. 791,387 is due to the fact that in 1888-9 a large gain was made in Exchange upon heavy remittance transactions of the subsidized Railway Companies (Financial Statement, 1889-90, p. 10). This is very much a matter of account.

16. With regard to the increase of Rx. 8,067,321 in the net expenditure the first thing to notice is that this is a net increase—certain heads of expenditure having largely increased while others have materially decreased. The following figures will bring out the significance of this point:—

Increases.	Rx.
Collection of Revenue	1,446,522
Civil Services	3,870,049
Army Military Works	5,156,860
	Rx. 10,473,431

Decreases.	Rx.
Debt Services	560,037
Commercial Services	266,423
Special Services	36,337
Special Defence Works	634,895
Change from Provincial surplus to deficit	908,418
	Rx. 2,406,110
Net increase as above	Rx. 8,067,321.

Three points must be borne in mind with reference to these decreases:

1. The decrease in expenditure of over Rx. 826,460 in connection with the debt and commercial services is in spite of, and covers, a heavy additional increased cost of exchange under those two heads amounting to no less than Rx. 3,435,379.
2. The original programme of special defence works is approaching completion; hence the large saving of expenditure under this head, although the ordinary military expenditure continues its alarming rate of increase.
3. The improvement of expenditure by Rx. 908,418 under provincial surpluses or deficits simply means that nearly a million of the increased expenditure on the Civil Services will be met for this year by consuming the accumulated surpluses of the Provincial Governments, *i.e.*, the unspent portions of their allotments in former years.

17. It is now necessary to ascertain the part which Exchange has played in different ways in bringing about this composite increase in the expenditure. The following figures show, with reference to the whole of the expenditure shown in Table II., the net cost of Exchange shown in the column headed Exchange in the Finance Accounts for the years 1888–9 and 1895–6:

Net cost of Exchange, 1888-9	Rx. 6,819,550
,, ,, 1895–6	Rx. 13,118,400
Increase in the 7 years	Rx. 6,298,850

In addition to this Exchange added directly to the burdens of the Indian Exchequer under the head of Exchange Compensation Allowance and additional rupee pay to the British soldier (whose pay is on a sterling basis), items, however, not shown separately in the Finance Accounts, as already explained. These further additions together account for a sum of Rx. 2,110,900, made up as follows:

—	1888-9.	1895-6.	Increase.
Exchange Compensation Allowance.	Rx. Nil	Rx. 1,456,500	Rx. 1,456,500
Additional payment to British soldiers (approximate).	502,000	1,156,400	654,400
	Rx. 502,000	Rx. 2,612,900	Rx. 2,110,900

The total increased expenditure upon Exchange is therefore Rx. 8,409,750 made up as follows:—

(i.) Increase shown in "Exchange" column	Rx. 6,298,850.
(ii.) Increase not shown in ,, ,,	Rx. 2,110,900.
Total	Rx. 8,409,750.

18. Before analysing this increased cost of Exchange in relation to the increased expenditure two important points must be noted:—

1. The increase of Rx. 6,298,850 in (i) is not entirely due to the fall in the Exchange value of the rupee but is partly due to an increase of £1,085,317 sterling in the net Home Charges (sterling expenditure less sterling receipts) *i.e.*, part of the increased cost of Exchange is simply the Exchange on additional remittances of gold. The following figures make this clear.

—	1888-9.	1895-6.	Increase.
Net Home Charges	£14,656,783	£15,742,100	£1,085,317
Cost of Exchange on £14,656,783.	Rx. 6,819,550	Rx. 12,213,970	Rx. 5,394,420

The cost of Exchange for 1895–6, as shown in the "Exchange" column of the Accounts, is therefore made up thus:—

Increased cost on— £14,656,783	(Home Charges 1888–9)— = Rx. 5,394,420
Actual cost on— £1,085,317	(Increase for 1895–6)— = Rx. 904,430
Total £15,742,100	Rx. 6,298,850

Thus Rx. 904,430 of the increased cost of Exchange is due to the increase of £1,085,317 in the Home Charges.

2. The increase of Rx. 2,110,900 in (ii) is chiefly due to Exchange Compensation Allowance, which was not a matter outside the control of the Government of India, and is in reality a distinct increase of expenditure by no means automatic in its character. Further, even granted that some compensation was imperative, it might certainly be questioned whether in the existing state of Indian Finance such indiscriminating compensation allowance, which by reason of its indiscriminate nature has added so largely to

Indian expenditure, was either wise or necessary.

19. We are now in a position to show the exact effect which the heavy fall in the value of the rupee since 1888-9 has had upon the increase in Indian expenditure. The following Table III. which analyses the various increases and decreases shown in Table II. will make this clear.

TABLE III.—Showing under certain specified heads the Increase, or Decrease (—), both in India and in England, of the Net Expenditure of the Government of India in the Budget Estimate of 1895-6 as compared with the Accounts for 1888-9 (as shown in Table II.), classified as to, A, Civil and Military Expenditure and, B, Other Expenditure. Showing also the exact operation of Exchange in various forms in making up the total difference under these heads. [£ = Rx. = Rs. 10.]

HEADS OF EXPENDITURE.	Increase or Decrease, excluding Exchange.		Total Increase or Decrease, excluding Exchange. (Total of cols. 1 and 2.)	Increase in Cost of Exchange properly due to the fall in Exchange since 1888-9.	Increase due to (a) Exchange Compensation Allowance and (b) sterling pay of British troops.	Increase or Decrease due to Cost of Exchange on Increase of Sterling Charges.	Total Increase or Decrease in any way due to Exchange. (Total of cols. 4, 5, and 6).	Total Increase or Decrease in Net Expenditure, as shown in Table II., col. 6. (Total of cols. 3 and 7.)
	INDIA.	ENGLAND.						
	1.	2.	3.	4.	5.	6.	7.	8.
A. CIVIL AND MILITARY EXPENDITURE:	Rx.	£	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.
I. Collection of Revenue - -	1,272,011	6,482	1,278,493	18,927	(a)143,700	5,402	168,029	+1,446,522
III. Civil Departments, Miscellaneous Charges, and Civil Works.	1,883,650	319,642	2,203,292	846,889	(a)553,500	266,368	1,666,757	+3,870,049
IV. Army Services and Military Works.	1,254,850	692,899	1,947,249	1,368,212	(a)610,000 (b)654,400	576,999	3,209,611	+5,156,860
TOTAL CIVIL AND MILITARY EXPENDITURE - -	4,410,511	£1,018,523	5,429,034	2,234,028	1,961,600	848,769	5,044,397	+10,473,431
B. OTHER EXPENDITURE:								
II. Debt Services - - -	−1,721,881	126,446	−1,595,435	930,027	—	105,371	1,035,398	−560,037
V. Commercial Services - -	−2,793,798	127,394	−2,666,404	2,144,520	(a)149,300	106,161	2,399,981	−266,423
VI. Special Services - - -	−36,337	—	−36,337	—	—	—	—	−36,337
VII. Special Defence - - -	−377,823	−187,046	−564,869	85,845	—	−155,871	−70,026	−634,895
VIII. Change from Provincial Surplus to Deficit	−908,418	—	−908,418	—	—	—	—	−908,418
TOTAL OTHER EXPENDITURE -	−5,838,257	£66,794	−5,771,463	3,160,392	149,300	55,661	3,365,353	−2,406,110
GRAND TOTAL -	−1,427,746	£1,085,317	−342,429	5,394,420	2,110,900	904,430	8,409,750	+8,067,321

NOTE.—The total amount for Exchange Compensation Allowance in 1895-6, namely, Rx. 1,456,500, is taken from a Table given at para. 145 of the F.S. 1895-6. Its distribution among the heads of expenditure in this Table has been roughly estimated by reference to the Table above mentioned and more complete Tables given at paras. 75 and 113 of the F.S. 1894-5. Note also in this connection para. 18, section 2.

20. The above table in conjunction with Tables I. and II. summarises while it analyses the increase in Indian expenditure during the last seven years. The large differences in the results shown compared with those given in Table II. of the Note on Sir J. Westland's previous Budget, namely, that for 1894-5, are chiefly accounted for by the fact that the present comparison is made with the year 1888-9, when net civil and military expenditure had already increased by nearly 5½ millions (only half of which might be said to be due to Exchange in some form or another) over the standard of comparison then taken, namely, the average of the years 1882-3 to 1884-5. The more complete apportionment of increase due to Exchange, and the fall of 1½*d.* in Exchange from 14½*d.* (the average rate shown in the Financial Statement for 1894-5) to 13·09*d.*, the actual rate estimated for the year 1895-6, have also materially affected the figures. Nevertheless this present table fully supports and confirms the main propositions deducted from the examination of last year's Indian Budget. Those propositions are as follows: "Loss by Exchange is not the sole (or even the principal) cause of the existing financial difficulties," but "the increase in military and civil expenditure is the true source of the present embarrassment."

21. We will now put the facts which Table III. discloses into a series of propositions. There is, however, one paramount fact which must never be lost sight of in discussions on Indian Finance—one vital consideration of policy, the suicidal neglect of which, more, perhaps, than any wilful extravagance, has brought Indian Finances into their present perilous position. That fact is this, Exchange has long ceased to be an uncertain element in Indian Finance. For the last 10 years at least Indian financiers have known, or ought to have known, that they could not rely upon the maintenance of the Exchange from year to year, or even from month to month. A fall in Exchange with its added burdens upon the Indian Exchequer was a thing to be taken seriously into account by every prudent Finance Minister—and not merely a matter for complaint, as the Act of Providence which no strong measures might forestall. For the last 10 years the Government of India have been in the position of a householder who, in addition to the growing charges of a growing family, has to face with an income which does not grow in sufficient proportion, a steady rise in the prices of the necessaries of life. Obviously the only proper way in which to meet such a case is by economy. But if under these circumstances the householder, refusing to economize, increases his expenditure, he must soon be involved in bankruptcy, and has no right to complain of a misfortune which he would thus have deliberately invited. Nor would it avail him anything to urge that this fresh expenditure was eminently useful and desirable, or even necessary for a man in his position. He should cut his coat according to his cloth.

22. But this adaptation of expenditure to revenue is what the Government of India will not do. It would almost seem that the great spending departments make up their estimates on the Exchange of the previous year, and after absorbing any increase of Revenue, look to the Finance Minister to provide for any additional charge, due to the probable fall in Exchange, by additional taxation. In the last 10 years of falling Exchange, the Government of India have added more than 1,500,000*l.* to the Home Charges, which, with the rupee approaching 1*s.*, means an additional charg upon the Revenues of India of about Rx. 3,000,000—roughly speaking, the amount of the new import duties. Here, at any rate, we have a very tangible result:—the trade of England and India hampered because the Government of India would not realise that it is unsound finance to increase the gold liabilities of a silver-using country in a time of falling Exchange. This of course is leaving out of account all the money which the yearly addition to the Home Charges has taken from the Indian taxpayer. The

Government of India will say that this increase was necessary, in the sense of being useful. But Governments, like individuals, cannot exempt themselves from certain fundamental economic principles, and the Government of India, if it is to act from motives of common prudence, must, like the householder, learn to cut its coat according to its cloth.

23. Table III. then appears to establish the following propositions:—

1. During seven years the expenditure on the civil and military services alone has increased by Rx. 5,429,034, quite apart from any increase due to Exchange; and if we add the Rx. 848,768 due to Exchange on the increase sterling charges, which is an increase within the control of the Government of India, we find that the increase on the Services amounts to the enormous total of Rx. 6,277,803, besides Rx. 4,195,628, which may be said to be due to the fall in Exchange.
2. While the expenditure on the Civil and Military Services has been increasing by about Rx. 6,000,000 (leaving out of account the increases in the cost of collection of the Opium and Customs Revenue) other expenditure, apart from the question of exchange, has decreased to to the extent of about Rx. 5,750,000.
3. In Civil and Military Expenditure we find, instead of economies to meet the heavy burden of Rx. 4,195,628 due to the fall in Exchange, Rx. 6,277,803 of additional expenditure—in other words, for every rupee of additional burden entailed by the fall in Exchange, the Services add another rupee and a half on their own account.
4. In other expenditure we find the heavy burden of Rx. 3,309,692, due to the fall in exchange, completely wiped out by reduced charges or increased profits amounting in the aggregate to Rx. 5,715,802 (*i.e.*, Rx. 5,771,463—Rx. 55,661), leaving expenditure less, in spite of exchange, by Rx. 2,406,110—in other words, every rupee of additional burden entailed by the fall in exchange is met by a saving of a rupee and three quarters.
5. The enormous increase in seven years of nearly Rx. 10,500,000 in Civil and Military Expenditure (of which about two-fifths can be said to be due to the fall in Exchange) has (i.) comsumed all the natural increase in the revenues of about Rx. 5,000,000; (ii.) used up all the decrease in other expenditure of about Rx. 2,500,000 (obtained, after paying for Rx. 3,300,000 due to exchange, partly by reduction of charges, partly by increase of profits, partly by starving useful and reproductive services, and partly by meeting the expenditure of the year out of past savings; and (iii.) further necessitated the imposition of fresh taxation to the extent of Rx. 3,000,000 as shown by the following figures:—

	Rx. (000's omitted)
Increase in Civil and Military Expenditure	6,250
Add—Exchange	4,250
TOTAL	10,500

	Rx.	Rx. (000's omitted)
Increase in Revenue		5,000
Decrease in Expenditure	5,750	
Deduct—Increase in Exchange	3,250	
Net Decrease in Expenditure		2,500
New Taxation		3,000
TOTAL		10,500

24. Now it is certain that the Government of India will have a reason, good or bad, for every increase of expenditure; it is probable that with regard to some of the items they will be able to show a supreme necessity; but the advisability of an increase here or the necessity of an increase there is not the question at issue. It may be admitted at once that a certain amount of increased expenditure by the Government of India was not only necessary but desirable in the interests of good government, and even legitimate under all the circumstances. The real point, however, is that the Government of India have not been content with a moderate increase of expenditure, but have continued, in reckless disregard of the capacities of Indian Revenues, to increase expenditure on the Civil and Military Service (however useful and desirable that expenditure may be) at a rate which under all the circumstances is absolutely unjustifiable.

25. For let us examine the position of affairs in the light of the tables which we have given, and let us see what increase of expenditure was possible to the Government of India in the last seven years, without the help of new taxation, and supposing counsels of ordinary prudence to have prevailed. With the help of the Patwari cess (Rx. 200,000) and a small tax on beer and spirits (Rx. 100,000) the Government of India, without resorting to the new Import Duties, would have had an increase of Rx. 5,000,000 in net revenue to deal with. In addition to this, they would have had, without taking into account the doubtful expedient of absorbing provincial deposits—in fact, keeping a provincial surplus of about Rx. 250,000—a saving in expenditure of about Rx. 1,500,000 (after meeting a considerable portion of the increased charge due to Exchange). This would give them Rx. 6,500,000 available for increased expenditure on the Services.

26. How might the money have been spent? Under no circumstances should an increase of over £1,000,000 in the Home Charges, making with the ruinous rate of Exchange a charge on Indian Revenues of about Rx. 2,000,000, have been incurred in seven years of falling Exchange. We have then the Rx. 6,500,000 to meet the cost of Exchange on Civil and Military Expenditure, and the increased expenditure on the Services. Exchange would have absorbed about Rx. 4,250,000 of this amount, and the charge for collection of Revenue might be fairly expected to show a large increase (though not so large as actually took place) say, Rx. 750,000. We have thus left Rx. 1,500,000 (with Exchange provided for) available for increased expenditure, if absolutely necessary, on the Services—representing an increase of nearly 4½% in seven years, apart from the increase entailed by Exchange.

27. But we would go further and insist upon the fact that a time of financial stress and difficulty is not a time for any increase of expenditure that can possibly be avoided, least of all for increased expenditure on an army which is already the heaviest financial burden, in proportion to Net Revenue, of any government in the world. In 1884-5, apart from any charge due in any way to Exchange and excluding expenditure on Special Defence Works, the ordinary expenditure on the Military Services was Rx. 16,000,000: in 1888-9 it was Rx. 18,000,000; and in 1895-6 it is Rx. 20,000,000. Be it remembered that in these increases Exchange played no part in any shape or form. If the increase of Rx. 2,000,000 in the four years was due to the large increase in the Army, against which many of those best qualified to judge so strongly protested, what plea can be put forward in justification for a further additional charge of Rx. 2,000,000 in the last seven years. In Appendix B will be found a more detailed examination of Indian Military Expenditure from 1875-6—1892-3, with reference to a Parliamentary Return recently issued on the subject.

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18th June, 1895.

APPENDIX A.

——————M on the NET REVENUE and EXPENDITURE of the GOVERNMENT OF INDIA.

1. At pp. 86 and 87 of the Financial Statement of the Government of India for 1895-6 two statements (E and F) are given, purporting to show the net income and expenditure of the Government of India in India and England for certain specified years. These statements are, with some modifications, founded upon a Parliamentary Return moved for by Mr. Fowler, and are framed on practically the same principles with regard to Indian Finance as those of a former return of Mr. Fowler's with reference to the accounts of the United Kingdom.

2. In presenting the accounts of a Government the object in view is to show the real cost of Government to the people. It is important on the one hand that every penny received, either by way of taxes, or by way of profit to the Government as owner of State property or contractor for State service, should be shown in full, and on the other hand, that the expenditure should not be unduly swollen by charges which are not a burden on the taxpayers of the country.

3. It is presumably with this object that these statements have been drawn up, and it is to the apparent failure of these statements in certain important particulars to exactly achieve this object that it is here proposed to direct attention. As they are of most practical moment, it will be convenient to take the figures for 1895-6 (Budget Estimate), given in Statement E; two tables are appended, showing the corrections which it is suggested should be made in the figures.

PART I.—INCOME, 1895-6.

4.—I. LAND REVENUE, &c.—

In this are included—1. Land Revenue, 2. Forest, and 3. Tributes from Native States with a total of Rx. 28,752,200, from which is deducted Rx. 1,115,000 on account of assignments from land revenue, &c., giving a net total of Rx. 27,637,200 as the land revenue.

Now, in the first place, it is submitted that the tributes from Native States should not be classed as land revenue. In the second place, assignments ought not to be deducted. This latter sum, which consists chiefly of payments made in return for lands of which the revenue has been surrendered to the Government, ought not to be treated as a set-off to revenue, but should appear on the expenditure side as part of the expenses incurred in raising the revenue from land. For instance, the Rx. 800,000, or so, paid in the Bombay Presidency to Inamdars and other grantees, is in no sense a refund of revenue collected, but an allowance by way of purchase of a certain amount of revenue which had formerly been granted away by the State for service done. To deduct a large sum like Rx. 1,115,000 from the land revenue in these circumstances is misleading, for every rupee of this amount is actually paid in land tax to the Government, and it is no relief to the cultivators of the soil to pay land tax to Government where before they paid rent or land dues to State assignees.

5.—II. and III. OPIUM AND TAXATION—

As in the case of land revenue, assignments and compensations ought not to be deducted from income, but should appear as part of the cost of getting in the revenue. Of the Rx. 419,000 deducted as assignments and compensations under "other heads" of revenue, about Rx. 100,000 represents compensation for sayer or transit dues, abolished 1834-41; and about Rx. 300,000 represents salt compensation to various States, and under conventions with the French Government, the Sambhar Lake Treaty, &c., all of which, as necessary to maintain the Government's salt monopoly, is obviously a part of the cost of producing the salt revenue.

6.—IV. COMMERCIAL SERVICES—

This is a difficult heading to deal with. It is obviously an inconsistency in the statement, which purports to give net income and expenditure, to show amounts on both sides of the account under a general heading of commercial services. For the whole commercial services of the Government cannot be carried on both at a profit and a loss; and if some services are profitable and others the reverse, then it is a question whether a general heading should be retained. There are really four distinct commercial services—the post office and telegraph, the mint, the railways, and irrigation. If the general heading of commercial services, with a general total, is to be retained, then the net profit or loss from all four services should appear on one side of the account alone; if the general heading is to be discarded, then each service will appear as revenue or expenditure according as it yields a profit or loss to the Government. On the whole, the better course appears to be to retain the general heading with the general total, showing clearly how this result is arrived at. There seems to be no object in swelling the receipts by profits on some commercial transactions, if the general commercial enterprise of the Government results in a charge on the national income, and is a burden, however advantageous may be the results, on the taxpayers of the country.

7.—V. MISCELLANEOUS RECEIPTS—

1. *Mint.*—This is clearly a commercial service, and none the less so because a strict Government monopoly, like the post office.

2. *Gain by Exchange.*—This is largely a matter of account, and properly treated as a portion of miscellaneous receipts.

3. *Miscellaneous.*—The treatment of this sub-head is somewhat misleading. It is a fallacy to assume that miscellaneous receipts and miscellaneous expenditure have anything in common which justifies the setting off of one against the other. As a matter of fact, the miscellaneous receipts consist principally of the following:—Unclaimed deposits, premium on bills, rents, fees, fines and forfeitures, percentages on European stores; whereas the miscellaneous expenditure is chiefly made up of charges for remittance of treasure, donations for charitable purposes, rewards for destruction of wild animals, petty provincial and local establishments, rents, rates and taxes, unforeseen charges. If these various items cannot be placed under more specific headings, there is no objection to their being classed as miscellaneous; but the two totals being made up of different and unrelated amounts, must appear on each side of the account, *i.e.*, Rx. 409,800 as miscellaneous receipts, and Rx. 245,600 as miscellaneous charges.

PART II.—EXPENDITURE, 1895-6.

8.—I. and II. DEBT AND MILITARY SERVICES—

No remark, but *see* para. 12.

9.—III. COLLECTION OF REVENUE—

The figures require correction by the addition under *Land, Opium*, and *Other Heads* of the amounts for assignments and compensations being Rx. 1,115,000, Rx. 5,100 and Rx. 419,200 respectively. (*See* above, paras. 4 and 5.)

10.—IV. COMMERCIAL SERVICES—

The figures require correction, as explained in paras. 6 and 7.

11.—V. CIVIL SERVICES—

The arrangement of this heading and the figures given seem open to serious objection.

1. *Civil Departments* and, 5. *Civil Works.* — No remark.
2. *Miscellaneous Civil Charges.*—To this must be added the gross total of miscellaneous charges referred to in para. 7, *i.e.*, Rx. 245,600.
3. *Famine Relief and Insurance.*—Whether this is regarded as a separate fund, or as a special application of a compulsory surplus, it has obviously no place under a general heading of civil services.
4. Similarly, *Railway Construction* is a matter totally distinct from civil service expenditure.

Both 3 and 4 are items of expenditure which, rightly or wrongly, fluctuate enormously; and to include these under a general heading like civil services is to render the totals under that heading misleading when comparisons are instituted between different years, while

at the same time no advantage whatever is derived from such a system.

12. The following tables, showing what would be the result of making the foregoing corrections, have been arranged with a slightly different order in the heads of account, and a re-arrangement of some of the sub-heads. Thus, as a matter of logical presentation, the charges for collection of revenue should appear first in a summary statement of expenditure, followed by the debt services, as in fact they do in the accounts of the Government of India. Then, as to re-arrangement: The cost of special defence works is put under a separate heading altogether, just as war expenditure should be, so that the total ordinary military expenditure may be easily compared with years when there were no special defence works to swell the total. Again, the adjustment of the Imperial account by means of the provincial surplus or deficit is shown quite separately, so that the actual total expenditure on the civil services may be clearly seen from year to year.

STATEMENT IF AMENDED AS SUGGESTED.

PART I.—INCOME (NET).

			Budget, 1895-6.
I. Land Revenue	Rx.		Rx.
1. Land	26,322,800		
2. Forest	1,639,900		
		27,962,700	
N.B.—Tributes transferred to Miscellaneous; and Assignments, which are deducted in the Statement, have been transferred to Expenditure.			
II. Opium		6,860,500	
N.B.—Assignments, which are deducted in the Statement, have been transferred to Expenditure.			
III. Taxation		29,291,600	
N.B.—Assignments, which are deducted in the Statement, have been transferred to Expenditure.			
N.B.—Commercial Services resulted in a net loss, and therefore all appear on the Expenditure side of the account.			
IV. Miscellaneous.	Rx.		
1. Tributes from Native States	789,500		
2. Gain by Exchange	88,400		
3. Miscellaneous	409,800		
		1,287,700	
N.B.—Mint transferred to Commercial Services on the Expenditure side of the account.			
GRAND TOTAL		Rx. 65,402,500	

PART II.—EXPENDITURE (NET).

				Budget, 1895-6.
I. Collection of Revenue (Including Assignments and Compensations):				
1. LAND, &c.—		Rx.	Rx.	Rx.
i. Collection of Land Tax		4,189,100		
ii. Assignments and Compensations		1,115,000		
iii. Collection of Forest Revenue		995,100		
			6,299,200	
2. OPIUM—				
i. Collection of Tax		2,755,200		
ii. Compensations		5,100		
			2,760,300	
3. TAXES—				
i. Salt—	Rx.			
(1) Collection	534,100			
(2) Compensations (Approximate)	300,000			
		834,100		
ii. Stamps		197,100		
iii. Excise		210,100		
iv. Provincial Rates		55,900		
v. Customs—				
(1) Collection	210,300			
(2) Compensations (Approximate)	100,000			
		310,300		
vi. Assessed Taxes		31,800		
vii. Registration		237,800		
		1,877,100		
Add:—Sundry Compensations (balance of Rx. 419,200)		19,200		
			1,896,300	
				10,955,800
II. Debt Services				3,310,400
III. Civil Services.				
1. Civil Departments			13,749,300	
2. Miscellaneous Civil Charges (*vide* para. 7)			5,648,000	
3. Civil Works (Buildings and Roads)			4,044·100	
				23,441,400
IV. Military Services.				
1. Army			24,341,500	
2. Military Works			1,120,500	
				25,462,000

	Rx.	Rx.
V. Commercial Services.		
1. Postal Sevices (net profit)	−119,600	
2. Mint (net profit)	−3,900	
3. Railways (net loss)	2,148,200	
4. Irrigation (net loss)	566,200	
		2,590,900
VI. Special Services (*Vide* Mr. Fowler's Return relating to the United Kingdom).		
1. Famine Relief and Insurance	55,000	
2. Construction of Railways	9,400	
		64,400
VII. Special Defence		154,700
VIII. Provincial Surplus and Deficit		−623,300
GRAND TOTAL.		Rx. 65,356,300
Excess of Income over Expenditure (as in the Statement)		46,200
		Rx. 65,402,500

APPENDIX B.

INDIAN MILITARY EXPENDITURE, 1875–6—1892–3.

1. There was issued in June, 1894, an important Parliamentary Return, which professes to show the Military Expenditure of the Government of India in India and England for each year, from 1875–6 to 1892–3, and purports to explain the increase of Rx. 7,717,214 in this expenditure during these 18 years.

2. The first criticism which we have to offer is that this is only a partial Return; it does not show *all* the Military Expenditure of the Government of India—the important items of Military Works and Special Defence Works having been completely ignored. It is not easy to understand upon what principle expenditure so exclusively Military as this has been left out in a Return of Indian Military Expenditure. In 1875–6 the Indian Government had not yet begun to spend lakhs of rupees on so-called Special Defence Works, and the net amount spent on Military Works was Rx. 1,321,260: in 1892–3 the total Net Expenditure on Military and Special Defence Works was Rx. 1,609,585, showing an increase of Rx. 288,325.

3. In the next place, the figures given in the Return relate to Gross Expenditure, whereas Net Expenditure, *i.e.*, the amount spent less the Military receipts under the various headings, is obviously a more accurate statement of the Cost of the Military Services to the Government of India. Moreover, owing to the fact that receipts on account of Military Services, &c., have diminished, due probably to changes of system, the figures for the earlier years are relatively higher than those for the later years; thus the receipts in aid, as we may call them, for the Army, amounted in 1875–6 to Rx. 1,057.377, and in 1892–3 to Rx. 864,320, or a decrease of Rx. 193,057, which would mean so much more increase of net Expenditure between the two years taken.

4. Now if we take the figures of the Return and make the additions and corrections here indicated, instead of an increase of Rx. 7,717,214, as shown therein, we shall find that the true increase in Indian Military Expenditure as between the years 1875–6 and 1892–3, amounts to Rx. 8,198,596, or Rx. 481,382 over and above that shown in the Return.

5. The third criticism we have to make relates to the method adopted in dealing with the figures. Expenditure on Military operations, &c., is classed in the Return as exceptional; but it is a little confusing to find it also included under the ordinary headings of effective Expenditure in India, and indistinguishable, except as to that charged under Military operations in Afghanistan and Egypt, and Mobilisation, among such items as Regimental Pay, Commissariat Establishments, &c. The disadvantage of this is great. It renders extremely difficult, if not altogether impossible, any attempt to make comparisons between different years under special headings, while by producing large fluctuations in the charges under any given heading it tends to conceal the true state of the case, which is in almost every item a steady increase all along the line. For instance, in 1891–2 the return classes nearly Rx. 1,500,000 as exceptional Expenditure out of a total of Rx. 14,800,000 for effective Army Services in India, but it is impossible from the Return to find out under what headings of Expenditure this total of Rx. 1,500,000 should be distributed.

6. Nevertheless this is a very valuable Return so far as it goes, for it places on record in an accessible form, the cost of those vague things "Military operations" and "Scientific frontiers," showing on the Government of India's own admission that during the eight years ending 1892–3 these costly abstractions have consumed more than Rx. 11,000,000. But perhaps the most important fact which this return brings to light is the ease with which the burdens of military aggressions beyond the frontier are smothered under general headings of ordinary military expenditure. The process serves a double purpose; in the first place it conceals the cost of a forward policy, in the second place it affords the Government of India a convenient plea for discouraging comparisons founded on the official accounts.

7. Let us, however, examine the Government of India's War Bill for the 18 years covered by the Return; here it is:—[N.B.—The heading "Quetta" is to some extent misleading, as it imparts a merely local significance to what was in reality an Imperial matter. The Rx. 2,288,071 under this head was mainly, if not wholly, a charge for preparations against Russia—war preparations—in 1885.]

	Rx.
Afghanistan	18,190,132
Egypt	1,224,016
Burma	6,073,500
Quetta	2,288,071
Hazara	311,032
Lushai and Chin Hills	839,774
Sikkim	285,916
Manipur	323,407
Miranzai	196,536
Minor operations	326,553
Mobilisation	405,945
Camps of exercise	146,227
Total	Rx. 30,611,109

It is not generally known that during the eight years ending 1892–3, Rx. 11,032,781 were spent on expeditions and warlike preparations which were not deemed worthy of separate headings in the ordinary accounts as they come before the public scrutiny.

8. Now it is a noteworthy fact that apart from the Afghan and Egyptian wars practically the whole of these exceptional payments on account of these "operations" are concentrated into the eight years ending 1892–3, during which time the expenditure on this account was never less than Rx. 750,000 and was as high as nearly Rx. 3,000,000, averaging about Rx. 1,500,000 in each year. Moreover this is only a part of the truth which this return brings to light. For when we come to look at the figures more closely we find that the period of 18 years naturally divides itself into two periods, one of 10 years and the other into 8 years; and that the first and longer period was one of comparative stability in the normal military charges, exhibiting, as shown in the Return, an increase of only Rx. 1,250,000, of which considerably more than

Rx. 750,000 was due to increased cost of Exchange; while the second and shorter period exhibits, again according to the Return, the large increase of Rx. 6,500,000, of which less than Rx. 2,500,000 was due to increased cost of Exchange, leaving over Rx. 4,000,000 added Military expenditure in eight years.

9. Here, then, is the cardinal fact which this Return discloses. On a review of Military Expenditure for the 18 years ending 1892–3 we find that out of a total increase of 7¾ crores of rupees no less than 6½ crores took place in the last eight years, a period which exactly coincides with a chronic state of expeditionary activity upon the frontiers of British India, rendered possible, if not directly induced, by a large and, in the eyes of some of the highest authorities, absolutely unnecessary increase in the strength of the Army. This is what the Return discloses; but if we go a little further and give the true facts of the case by adding the increased expenditure on military works of all kinds and by ascertaining the net expenditure, the result is even more startling. In the 18 years the total net increase becomes Rx. 8,198,596, of which Rx. 7,106,511, or seven-eighths of the whole is crowded into the last eight years. The two following Tables show how these results are arrived at, the first giving the figures of the Return, the second showing the true increase in total net Military Expenditure:—

TABLE I.—INDIAN MILITARY EXPENDITURE (Gross Amounts shown in Parliamentary Return dated 8th June 1894) IN Rx. and £.

Gross Expenditure.	1875–6.	1884–5.	1892–3.	Increase 1st Period of 10 Years.	Increase 2nd Period of 8 Years.	Total Increase 18 Years.
	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.
India - - -	11,725,264	12,023,629	15,589,091	298,365	3,565,462	3,863,827
England - - -	3,583,194	3,974,421	4,888,794	391,227	914,373	1,305,600
Exchange - - -	393,437	965,752	2,941,224	572,315	1,975,472	2,547,787
Total - -	15,701,895	16,963,802	23,419,109	1,261,907	6,455,307	7,717,214

TABLE II.—INDIAN MILITARY EXPENDITURE, SHOWING THAT ON ACCOUNT OF ALL MILITARY WORKS (Net Amounts taken from the Financial Statements of the Government of India, the figures for 1875–6 and 1884–5 being taken from Appendix 3 to the Financial Statement for 1886–7 when the Accounts were finally recast in their present form) IN Rx. and £.

Net Expenditure.	1875–6.	1884–5.	1892–3.	Increase 1st Period of 10 Years.	Increase 2nd Period of 8 Years.	Total Increase 18 Years.
	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.
A. Army:						
India - - -	10,786,800	11,292,633	14,799,018	505,833	3,506,415	4,012,248
England - -	3,476,048	3,906,703	4,842,420	430,655	935,717	1,366,372
Exchange - -	381,672	949,297	2,913,323	567,625	1,964,026	2,531,651
Total - -	14,644,520	16,148,633	22,554,791	1,504,113	6,406,158	7,910,271
B. Military Works:						
India - - -	1,321,260	902,929	1,342,177	−418,331	439,248	20,917
England - -	—	5,071	166,960	5,071	161,889	166,960
Exchange - -	—	1,232	100,448	1,232	99,216	100,448
Total - -	1,321,260	909,232	1,609,585	−412,028	700,353	288,325
C. Total Military Expenditure:						
India - - -	12,108,060	12,195,562	16,141,225	87,502	3,945,663	4,033,165
England - -	3,476,048	3,911,774	5,009,380	435,726	1,097,606	1,533,332
Exchange - -	381,672	950,529	3,013,771	568,857	2,063,242	2,632,099
Grand Total -	15,965,780	17,057,865	24,164,376	1,092,085	7,106,511	8,198,596

10. Table II. shows us many things. Amongst others we may note the following:—

1. From 1876 to 1885 the cost of the Army in India increased by only half a crore of rupees, or at the average rate of 5 lakhs a year. From 1885 to 1893 it increased by 3½ crores, or at the average rate of 43¾ lakhs a year, a rate of increase nearly nine times as great.
2. From 1876 to 1885 the increased cost of the Army in India was almost counterbalanced by a diminished expenditure on military works, so that the increase in net military expenditure in India during the 10 years was only 8¾ lakhs of rupees; whereas from 1885 to 1893 the increased expenditure in the Army was supplemented by renewed activity on military works, with the result that during these latter eight years net military expenditure in India increased by nearly four crores of rupees, or at an average rate of 50 lakhs a year.
3. From 1876 to 1885 the sterling charges on account of military expenditure increased by 435,000*l.*; but from 1885 to 1893 they increased by 1,097,000*l.*, or an average annual increment in the first period of 43,500*l.*, and in the second period of 137,000*l.*, or a rate of increase more than three times as great.
4. We find that during the first and longer period the total net military expenditure in India and England increased by about Rx. 500,000, and that during the second and shorter period it increased by about Rx. 5,000,000 (including about Rx. 400,000 due to increased rupee pay of British troops), or just ten times as much in eight years of nominal peace as it had increased in 10 years which were disturbed by the Afghan and Egyptian wars. This means that in every one of the eight years after 1885 net Indian military expenditure increased on the average by more than the whole increase during the 10 years before 1885.

11. It would be unprofitable and futile to attempt to follow the Return in the "explanation" it offers of the admitted increase of Rx. 7,717,214 in Indian military expenditure. As we have explained in paragraph 5 the

Return is so made that it is impossible to ascertain the increases under particular headings apart from exceptional payments, which, of course, renders any such comparisons untrustworthy, and effectually prevents our checking or criticising in detail the explanation. We may, however, make a few general remarks thereon.

Out of the Rx. 7,717,214 the Return mentions specific increases under 10 different headings to account for Rx. 7,200,723, leaving Rx. 516,491, which is explained in a general way. Of this Rx. 7,200,723, the most noteworthy items given as follows:—

	Rx.	Rx.
Increase of troops—		
British - -	958,092	
Native - -	659,246	
		1,617,338
Loss by Exchange—		
On pay of British soldiers - -	592,000	
On sterling expenditure - - -	2,547,787	
		3,139,787
Increase in Home Pensions		829,822
		5,686,947

12. With regard to the loss by Exchange on sterling expenditure it must be borne in mind that this is not all due to a falling rupee, a large proportion of it being the loss by Exchange on new sterling charges. Thus in the 18 years the expenditure in England increased by 1,305,600*l.*, taking the figures of the return (which represents about 26¼% of the total amount given for 1892–3, consequently 26¼% of the total cost of Exchange in 1892–3 had nothing to do with a depreciated rupee so far as a comparison with the year 1875–6 is concerned. This means that the increased cost of Exchange is really made up as follows:—

Increased loss by Exchange on sterling expenditure—	
(*a.*) Due to depreciation of the rupee - - -	Rx. 1,761,010
(*b.*) Due to increased charges -	Rx. 786,777
	Rx. 2,547,787

13. The loss by Exchange on fresh sterling charges was naturally largely foreseen, and cannot be properly called a loss by Exchange. It was in addition to the burdens of the Indian taxpayer which ought not to have been incurred with a falling rupee; and in any case the fall in the exchange, so far as these additional charges are concerned, cannot be urged as the cause of the increased cost of making remittances to England. The same remarks apply to the amount stated to be loss by Exchange on the pay of British soldiers; a portion of this is due to the increase in the army and not primarily to the fall in Exchange.

14. Finally, here is the startling fact. During the eight years ending 1892–3 net Indian military expenditure increased by no less than Rx. 7,106,511, which, broadly speaking, may be accounted for as follows:—

EIGHT YEARS' INCREASE IN TOTAL NET INDIAN MILITARY EXPENDITURE (1884–5 to 1892–3).

	Rx.
Increase of troops - - -	1,617,338
Increased rupee pay to British soldiers (on account of low Exchange) - -	408,000
(N.B.—In 1884–5 this already amounted to Rx. 184,000.)	
Increased cost of Exchange on Home charges as in 1884–5 (*i.e.*, 3,911,774*l.*) due to the depreciation of the rupee	1,400,213
(N.B.—The amount of the Home charges in 1885 was about 78% of the Home charges in 1893, consequently about 22% of the total loss by Exchange in 1893 is the direct result of increased sterling expenditure and not primary accountable to Exchange.)	
Balance of increased expenditure due to augmented pensions, Burma, Frontier expeditions, added sterling charges, new military works, &c., &c. - - - - -	3,680,960
	Rx. 7,106,511

APPENDICES TO REPORT

BY

SIR W. WEDDERBURN, MR. CAINE, AND MR. NAOROJI.

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APPENDIX A.

Scope of the Reference.

National Liberal Club, London,
17th October 1895.

Dear Lord Welby,

1. I beg to place before you and other Members of the Commission a few notes about the scope and importance of its work.

2. The Reference consists of two parts. The first is: "To inquire into the Administration and Manage- "ment of the Military and Civil Expenditure in- "curred under the authority of the Secretary of "State for India in Council, or of the Government of "India."

3. This inquiry requires to ascertain whether the present system of the administration and management of expenditure, both here and in India, secures sufficiency and efficiency of services, and all other satisfactory results at an economical and affordable cost; whether there is any peculiar inherent defect, or what Mr. Bright called "fundamental error"* in this system, and the necessity or otherwise of every expenditure.

4. I shall deal with these items as briefly as possible, simply as suggestively and not exhaustively:—

5. *Sufficiency.*—The Duke of Devonshire (then, 1883, Lord Hartington) as Secretary of State for India has said†: "There can, in my opinion, be very little doubt "that India is insufficiently governed."

6. Sir William Hunter has said‡: "The constant "demand for improvement in the general executive "will require an increasing amount of administrative "labour."

7. *Efficiency.*—It stands to reason that when a country is "insufficiently governed," it cannot be efficiently governed, however competent each servant, high and low, may be. The Duke of Devonshire assumes as much in the words, "if the country is to be better governed." So does Sir William Hunter: "If we are to govern the Indian people efficiently "and cheaply." These words will be found in the fuller extracts given further on.

8. *Economical and Affordable Cost.*—The Duke of Devonshire has said§: "The Government of India "cannot afford to spend more than they do on the "administration of the country, and if the country is "to be better governed, that can only be done by the "employment of the best and most intelligent of the "Natives in the Service."

9. Sir William Hunter, after referring to the good work done by the Company, of the external and internal protection, has said‖: "But the good work thus "commenced has assumed such dimensions under the "Queen's Government of India that it can no longer "be carried on, or even supervised by imported "labour from England except at a cost which India "cannot sustain," . . . "forty years hereafter we "should have had an Indian Ireland multiplied fifty- "fold on our hands. The condition of things in India "compels the Government to enter on these problems. "Their solution and the constant demand for improve- "ment in the general executive, will require an in- "creasing amount of administrative labour. India "cannot afford to pay for that labour at the English "rates, which are the highest in the world, for official "service. But she can afford to pay for it at her own "native rates, which are perhaps the lowest in the "world for such employment." "You cannot work "with imported labour as cheaply as you can with "Native labour, and I regard the more extended em- "ployment of the Natives not only as an act of justice "but as a financial necessity." "The appointment "of a few Natives annually to the Covenanted Civil "Service will not solve the problem. . . . If we "are to govern the Indian people efficiently and "cheaply, we must govern them by means of them- "selves, and pay for the administration at the market "rates of Native labour."*

10. *Any Inherent Defect.*—Mr. Bright said†: "I must "say that it is my belief that if a country be found "possessing a most fertile soil, and capable of bearing "every variety of production, and that notwithstanding "the people are in a state of extreme destitution and "suffering, the chances are there is some fundamental "error in the government of that country."

11. I take an instance: suppose a European servant draws a salary of Rs. 1,000 a month. He uses a portion of this for all his wants of living, comfort, &c. All this consumption by him is at the deprivation of an Indian who would and could, under right and natural circumstances, occupy that position, and enjoy that provision. This is the first partial loss to India, as, at least, the services enjoyed by the European are rendered by Indians as they would have rendered to any Indian occupying the position. But whatever the European sends to England for his various wants, and whatever savings and pension he ultimately, on his retirement, carries away with him, is a complete drain out of the country, crippling her whole material condition and her capacity to meet all her wants—a dead loss of wealth together with the loss of work and wisdom—*i.e.*, the accumulated experience of his service. Besides, all State expenditure in this country is a dead loss to India.

12. This peculiar inherent evil or fundamental error in the present British Indian administration and management of expenditure, and its consequences have been foretold more than a hundred years ago by Sir John Shore (1787): "Whatever allowance we make for "the increased industry of the subjects of the State, "owing to the enhanced demand for the produce of it "(supposing the demand to be enhanced), there is "reason to conclude that the benefits are more than "counterbalanced by evils inseparable from the system "of a remote foreign dominion."‡ And it is significantly remarkable that the same inherent evil in the present system of administration and management of expenditure, has been, after nearly a hundred years, confirmed by a Secretary of State for India. Lord Randolph Churchill has said in a letter to the Treasury (1886)§: "The position of India in relation to taxation "and the sources of public revenue is very peculiar, "not merely from the habits of the people and their "strong aversion to change, which is more specially "exhibited to new forms of taxation, but likewise from "the character of the Government which is in the "hands of foreigners, who hold all the principal adminis- "trative offices and form so large a part of the army. "The impatience of the new taxation which will have to "be borne wholly as a consequence of the foreign rule "imposed on the country, and virtually to meet addi- "tions to charges arising outside of the country, would "constitute a political danger, the real magnitude of "which, it is to be feared, is not at all appreciated by "persons who have no knowledge of or concern in the "Government of India, but which those responsible "for that Government have long regarded as of the "most serious order."

13. Lord Salisbury, as Secretary of State for India, put the same inherent evil in this manner: "The injury "is exaggerated in the case of India, where so much of "the revenue is exported without a direct equivalent.' And he indicates the character of the present system of the administration and management of expenditure as being that "India must be bled."‖ I need not say more upon this aspect of the inherent evil of the present system of expenditure.

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* Speech in House of Commons, 3/6/1853.
† *Ib.*, 23/8/83.
‡ "England's Work in India," p. 131, 1880.
§ House of Commons, 23/8/1883.
‖ "England's Work in India," p. 130.

* England's Work in India, pp. 118-19.
† House of Commons, 3/6/1853.
‡ Parliamentary Return 377 of 1812. Minute, para. 13
§ Parliamentary Return [C. 4868], 1886.
‖ Parliamentary Return [C. 3036—1], 1881, p. 144. Minute, 29/4/75.

14. "The necessity or otherwise" of any expenditure is a necessary preliminary for its proper administration and management, so as to secure all I have indicated above. You incidentally instanced at the last meeting that all expenditure for the collection of revenue will have to be considered—and so, in fact, every expenditure in both countries will have its administration, management, and necessity, to be considered.

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15. The second part of the reference is "the apportionment of charge between the Governments of the "United Kingdom and of India for purposes in which "both are interested."

16. What we shall have to do is, first to ascetain all the purposes in which both countries are interested, by examining every charge in them, and how far each of them is respectively interested therein.

17. In my opinion there are some charges in which the United Kingdom is almost wholly or wholly interested. But any such cases will be dealt with as they arise.

18. After ascertaining such purposes and the extent of the interest of each country, the next thing to do would be to ascertain the comparative capacity of each country, so as to fix the right apportionment according to such extent of interest and such capacity.

19. I shall just state here what has been already admitted to be the comparative capacity by high authorities. Lord Cromer (then Major Baring) as the Finance Minister of India, has said in his speech on the Budget (1882):—"In England the average income per "head of population was 33*l.* per head; in France it "was 23*l.*: in Turkey, which was the poorest country "in Europe, it was 4*l.* per head." I may add here that Mulhall gives for Russia above 9*l.* per head. About India Lord Cromer says: "It has been calculated that "the average income per head of population in India "is not more than Rs. 27 a year; and though I am "not prepared to pledge myself to the absolute "accuracy of a calculation of this sort, it is sufficiently "accurate to justify the conclusion that the taxpaying "community is exceedingly poor. To derive any very "large increase of revenue from so poor a population "as this is obviously impossible, and if it were possible "would be unjustifiable." "But he thought it was "quite sufficient to show the extreme poverty of "the mass of the people." I think the principles of the calculation for India and the other countries are somewhat different; but that, if necessary, would be considered at the right time. For such large purposes with which the Commission has to deal, these figures might be considered enough for guidance. I then asked Lord Cromer to give me the details of his calculations, as my calculations, which, I think, were the very first of their kind for India, had made out only Rs. 20 per head per annum. Though Rs. 27 or Rs. 20 can make but very small difference in the conclusion of "extreme poverty of the mass of the people," still to those "extremely poor" people whose average is so small, and even that average cannot be available to every individual of them, the difference of so much as Rs. 7, or nearly 33 per cent., is a matter of much concern. Lord Cromer himself says: "He would ask "honourable members to think what Rs. 27 per "annum was to support a person, and then he would "ask whether a few annas was nothing to such poor "people."

20. Unfortunately Lord Cromer refused to give me his calculations. These calculations were, I am informed, prepared by Sir David Barbour, and the results embodied in a note. I think the Commission ought to have this note, and details of calculations, and also similar calculations, say for the last five years or longer, to the latest day practicable. This will enable the Commission to form a definite opinion of the comparative capacity, as well as of any progress or otherwise in the condition of the people, and the average annual production of the country.

21. The only one other authority on the point of capacity which I would now give is that of Sir Henry Fowler as Secretary of State for India. He said*: "Now as to the revenue, I think the figures are very "instructive. Whereas in England the taxation is "2*l.* 11*s.* 8*d.* per head; in Scotland, 2*l.* 8*s.* 1*d.* per "head; and in Ireland, 1*l.* 12*s.* 5*d.* per head; the "Budget which I shall present to-morrow will show "that the taxation per head in India is something like "2*s.* 6*d.*, or one-twentieth the taxation of the United "Kingdom and one-thirteenth of that of Ireland." And even this very small capacity of 2*s.* 6*d.* per head is most burdensome and oppressive is admitted on all hands, and the authorities are at their wits' end what to do to squeeze out more. So far back as 1870,* Mr. Gladstone admitted about India as a country "too much burdened," and in 1893,† he said: "The Expen- "diture of India, and especially the Military Expendi- "ture, is alarming."

22. Sir David Barbour said‡: "The financial position "of the Government of India at the present moment "is such as to give cause for apprehension." "The "prospects of the future are disheartening."§

23. Lord Lansdowne, as Viceroy, said‖: "We should "be driven to lay before the Council so discouraging "an account of our Finances, and to add the admis- "sion, that, for the present, it is beyond our power to "describe the means by which we can hope to extricate "ourselves from the difficulties and embarrassments "which surround us." "My hon. friend is, I am "afraid, but too well justified in regarding our position "with grave apprehension." "We have to consider "not so much the years which are past and gone as "those which are immediately ahead of us, and if we "look forward to these, there can be no doubt that we "have cause for serious alarm."¶

24. Many such confessions can be quoted. And now, when India is groaning under such intolerable heavy expenditure, and for the relief of which, indeed, this very Royal Commission has come into existence, the utmost that can be squeezed out of it to meet such expenditure is 2*s.* 6*d.* per head. Thus, by the statement of Sir H. Fowler, as Secretary of State for India, the relative capacity of poor India at the utmost pressure is only one-twentieth of the capacity of the prosperous and wealthy United Kingdom. But there is still something worse. When the actual pressure of both taxations as compared with the respective means of the two countries is considered, it will be found that the pressure of taxation on "extremely poor" India is much more heavy and oppressive than that on the most wealthy country of England.

25. Even admitting for the present the overestimate of Lord Cromer of Rs. 27 income, and the underestimate of Sir H. Fowler about 2*s.* 6*d.* revenue raised, the pressure of percentage of the Indian revenue, as compared with India's means of paying, is even then slightly higher than that of the United Kingdom. But if my estimates of means and revenues be found correct, the Indian pressure or percentage will be found to be 50 or more per cent. heavier than that on the United Kingdom.

26. You have noticed a similar fallacy of regarding a smaller amount to be necessarily a lighter tax, in the Irish Royal Commission.

27. "2613.** You went on to make rather a striking comparison between the weight of taxation in Ireland and Great Britain, and I think you took the years 1841 to 1881. In answer to Mr. Sexton, taking it head by head, the incidence of taxation were comparatively very light, I may say, in 1841, and very heavy, comparatively in 1881?—Yes.

28. "2614. I would ask you, does not that want some qualification? If you take alone without qualification the incidence of taxation upon people, leaving out of view entirely the fact whether the people have become in the interval poorer or richer, will you not get to a wrong conclusion. Let me give you an instance of what I mean. I will take such a place as the Colony of Victoria. Before the gold discoveries you had there a small, sparse, squatting population, probably very little administered, and paying very few taxes. Probably in such a case you would find out that the incidence of taxation at that time was extremely small?—Yes.

29. "2615. But take it 30 or 40 years later, when there was a greater population, and what I am now dwelling upon, an improvement in wealth, you would find out that the incidence of taxation was very much

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* Budget Debate, 15/8/94.

* Hansard, Vol. 201, p. 521, 10/5/1870.
† Hansard, Vol. 14, p. 622, 30/6/1893.
‡ Parl. Return 207, of 1893. Financial Statement, 23/3/93.
§ *Ib.*, para. 28.
‖ Parl. Return 207, of 1893. Financial Statement, 23/3/93.
¶ *Ib.*, p. 110.
** Parl. Return [C. 7720-1], 1895. Lord Welby.

heavier per head, for instance, perhaps 5*s.* per head at first, and perhaps 2*l.* in the second, but it would be wrong to draw the conclusion from that fact that the individuals were relatively more heavily taxed at the later period than the first. Would it not?"

30. Similarly, it would be wrong to draw the conclusion that the individuals of England were more heavily taxed than those of India, because the average of the former was 2*l.* 11*s.* 8*d.* and that of the latter was 2*s.* 6*d.* An elephant may carry a ton with ease, but an ant will be crushed by a quarter ounce.

31. Not only is India more heavily taxed than England to supply its expenditure, but there is another additional destructive circumstance against India. The whole British taxation of 2*l.* 11*s.* 8*d.* per head returns entirely to the *people themselves* from whom it is raised. But the 2*s.* 6*d.* so obtained out of the poverty-stricken Indians does not all return to them. No wonder that with such a destructive and unnatural system of "the "administration and management of expenditure" millions perish by famine and scores of millions or—as Lord Lawrence said (1864)—"the mass of the people "enjoy only a scanty subsistence." Again in 1873, before the Select Committee of the House of Commons, Lord Lawrence said: "The mass of the people of India "are so miserably poor that they have barely the "means of subsistence. It is as much as a man can "do to feed his family, or half-feed them, let alone "spending money on what may be called luxuries or "conveniences." I was present when this evidence was given, and I then noted down these words. I think they are omitted from the published report, I do not know why and by whom. In considering, therefore, the administration and management of expenditure, and the apportionment of charge for common purposes, all such circumstances are most vital elements, the importance of the attention to which cannot be over-estimated.

32. The "Times" of 2nd July last, in its article on "Indian Affairs," estimates the extent and importance of the work of the Commission as follows: "Great "Britain is anxious to deal fairly with India. If it "should appear that India has been saddled with "charges which the British taxpayer should have "borne, the British taxpayer will not hesitate to do "his duty. At present we are in the unsatisfactory "position which allows of injurious aspersions being "made on the justice and good faith of the British "nation, without having the means of knowing whether "the accusations are true or false. Those accusations "have been brought forward in the House of Lords, "in the House of Commons, and in a hundred news-"papers, pamphlets, and memorials in India. Individual "experts of equal authority take opposite sides in "regard to them. Any curtailment of the scope of "the Royal Commission's inquiry which might debar "reasonable men from coming to a conclusion on "these questions would be viewed with disappoint-"ment in England, and with deep dissatisfaction "throughout India."

33. Now what are the "accusations" and "injurious aspersions" on the justice and good faith of the British nation? Here are some statements by high authorities as to the objects and results of the present system of the administration and management of expenditure of British Indian revenues.

34. Macaulay pointed out: "That would, indeed, be "a doting wisdom, which, in order that India might "remain a dependency, would make it a useless and "costly dependency—which would keep 100 millions "of men from being our customers in order that they "might continue to be our slaves."*

35. Lord Salisbury says: "India must be bled."†

36. Mr. Bright says: "The cultivators of the soil, "the great body of the population of India, are in a "condition of great impoverishment, of great dejec-"tion, and of great suffering."‡

37. "We must in future have India governed, not for a handful of Englishmen, not for that Civil Service whose praises are so constantly sounded in this House. You may govern India, if you like, for the good of England, but the good of England must come through the channels of the good of India. There are but two modes of gaining anything by our connexion with India. The one is by plundering the people of India, and the other by trading with them. I prefer to do by trading with them. But in order that England may become rich by trading with India, India itself must become rich."*

38. "I say that a Government put over 250,000,000 of people, which has levied taxes till it can levy no more, which spends all that it can levy, and which has borrowed 100,000,000*l.* more than all that it can levy —I say a Government like that has some fatal defect, which, at some not distant time, must bring disaster and humiliation to the Government and to the people on whose behalf it rules."†

39. Mr. Fawcett said: "Lord Metcalf had well said "that the bane of our system was that the advantages "were reaped by one class and the work was done by "another."‡

40. Sir George Wingate§ says with regard to the present system of expenditure: "Taxes spent in the "country from which they are raised are totally "different in their effect from taxes raised in one "country and spent in another. In the former case "the taxes collected from the population . . . . are "again returned to the industrious classes. . . . . "But the case is wholly different when the taxes are "not spent in the country from which they are raised. ". . . . . They constitute . . . . . an absolute "loss and extinction of the whole amount withdrawn "from the taxed country, ... might as well "be thrown into the sea. . . . . Such is the nature "of the tribute we have so long exacted from India "." . . . From this explanation some faint con-"ception may be formed of the cruel, crushing effect "of the tribute upon India." "The Indian tribute, "whether weighed in the scales of justice, or viewed "in the light of our own interest, will be found to be "at variance with humanity, with common sense, and "with the received maxims of economic science.

41. Lord Lawrence, Lord Cromer, Sir Auckland Colvin, and others declare the extreme poverty of British India, and that, after a hundred years of the administration of expenditure by the most highly-praised and most highly-paid service in the world—by administrators drawn from the same class which serves in England.

42. Sir John Shore, as already stated, predicted a hundred years ago that under the present system the benefits are more than counterbalanced by its evils.

43. A Committee of five members‖ of the Council of the Secretary of State for India said, in 1860, that the British Government was exposed to the charge of keeping promise to the ear and breaking it the hope; and Lord Lytton¶ said, in 1878, the same, with greater emphasis, in a Minute which it is desirable the Commission should have.

44. Lord Lytton said**: "The Act of Parliament is "so undefined, and indefinite obligations on the part "of the Government of India towards its Native "subjects are so obviously dangerous, that no sooner "was the Act passed than the Government began to "devise means for practically evading the fulfilment "of it. Under the terms of the Act, which are studied "and laid to heart by that increasing class of edu-"cated Natives, whose development the Government "encourages without being able to satisfy the aspi-"rations of its existing members, every such Native, "if once admitted to Government employment in posts "previously reserved to the covenanted service, is "entitled to expect and claim appointment in the "fair course of promotion to the highest post in that "service. We all know that these claims and expec-"tations never can or will be fulfilled. We have had "to choose between prohibiting them and cheating "them, and we have chosen the least straightforward "course. The application to Natives of the competi-"tive examination system—as conducted in England— "and the recent reduction in the age at which candi-"dates can compete, are all so many deliberate and "transparent subterfuges for stultifying the Act, and

* Hansard, Vol. 19, p. 533, 10/7/1833.
† Parl. Return [C. 3086-1], 1881.
‡ House of Commons, 14/6/1858.

* House of Commons, 24/6/1858.
† Speech in the Manchester Town Hall, 11/12/1877.
‡ Hansard, Vol. 191, p. 1841, 5/5/1868.
§ "A Few Words on our Financial Relations with India." (London, Richardson Bros., 1859.)
‖ Sir J. P. Willoughby, Mr. Mangles, Mr. Arbuthnot, Mr. MacNaughton, Sir E. Perry.
¶ Report of the first Indian National Congress, p. 30.
** I believe this to be in a Minute 30/5/1878 (?) to which the Govern. ment of India's Despatch of 2/5/1878 refers. Parl. Return [C. 2376, 1870. p. 15].

" reducing it to a dead letter. Since I am writing " confidentially, I do not hesitate to say that both the " Governments of England and of India appear to me, " up to the present moment, unable to answer satis- " factorily the charge of having taken every means in " their power of breaking to the heart the words of " promise they had uttered to the ear."

45. The Duke of Argyll said:* " I must say that we " have not fulfilled our duty or the promises and " engagements which we have made."

46. When Lord Northbrook pleaded† (1883) the Act of Parliament of 1833, the Court of Directors' explanatory despatch and the great and solemn proclamation of 1858, Lord Salisbury in reply said, " My Lords, I " do not see what is the use of all this political " hypocrisy."‡

47. The Duke of Devonshire pointed out that it would not be wise to tell a patriotic Native that the Indians shall never have any chance " except by their " getting rid in the first instance of their European " rulers."§

48. From the beginning of British connexion with India up to the present day, India has been made to pay for every possible kind of expenditure for the acquisition and maintenance of British rule, and Britain has never contributed her fair share (except a small portion on few rare occasions, such as the last Afghan War) for all the great benefits it has always derived from all such expenditure from the revenues of India. And so this is a part of the important mission of this Commission, to justly apportion charge for purposes in which both countries are interested.

49. Such are some of the " accusations " and " in- " jurious aspersions being made on the justice and good " faith of the British nation," while truly " Great " Britain is anxious to deal fairly with India." Justly does the " Times " conclude that " any curtailment of " the scope of the Royal Commission's inquiry which " might debar reasonable men from coming to a con- " clusion on these questions, would be viewed with dis- " appointment in England and with deep dissatisfaction " throughout India."

50. The " Times " is further justified when Sir Henry Fowler himself complained of " a very strong indict- " ment of the British Government of India " having been " brought before the House and the country."* And it is this indictment which has led to the inquiry.

51. Sir Louis Mallet ends his Minute of 3rd February 1875, on Indian Land Revenue, with words which deserve attention as particularly applicable to the administration, management, and necessity of Indian expenditure.† He says: " By a perpetual inter- " ference with the operation of laws which our own " rule in India has set in motion, and which I venture " to think are essential to success—by a constant habit " of palliating symptoms instead of grappling with " disease—may we not be leaving to those who come " after a task so aggravated by our neglect or timidity " that what is difficult for us may be impossible for " them?"

52. I understand that every witness that comes before the Commission will not be considered as of any party, or to support this or that side, but as a witness of the Commission coming for the simple object of helping the Commission in finding out the actual whole truth of every question under consideration.

53. I shall esteem it a favour if at the next meeting you will be so good as to place this letter before the Commission. I may mention that I am sending a copy to every member of the Commission, in order that they may be made acquainted beforehand with its contents.

Yours truly,
DADABHAI NAOROJI.

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* Speech in House of Lords, 11/3/1869
† Hansard, Vol. 277, p. 1792, 9/4/1883
‡ *Ibid.*, p. 1798.
§ House of Commons, 23/8/1883.

* House of Commons., 15/8/1894.
† Parl, Return [C. 3085-1], 1881, p. 135.

APPENDIX B.

CORRESPONDENCE WITH THE INDIA OFFICE REGARDING STATISTICS SHOWING THE POVERTY OF THE INDIAN MASSES.

(Figures and Statements showing the extreme Poverty of the Indian Masses, analysed by the India Office, with Mr. Naoroji's rejoinder).

National Liberal Club,
DEAR LORD WELBY, 4th December 1895.

1. REFERRING to the first part of the reference to our Commission, it it necessary to know—as one of the most important tests—the results of the present system of the administration and management of expenditure in the moral and material condition of India. With this view Parliament itself enacted (1858) 21 & 22 Vict. c. 106. s. liii.) to lay before it "a statement prepared "from detailed reports from each Presidency and "District in India, in such form as shall best exhibit "the moral and material progress and condition of "India in each such Presidency."

2. On some aspects of this branch of the inquiry, viz., results, I beg to place before you and the Commission, my correspondence with the Secretary of State for India. In my first letter, para. 6, I have referred to and forwarded with it, some papers read by me in 1876. These papers are on the subject of the poverty of India.

3. The reply of the Secretary of State for India refers to an enclosure in it of statistics. These statistics are not printed in the enclosed book. I, therefore, send herewith the only copy I have.

4. I shall feel much obliged by your kindly placing this letter and the enclosures before the Commission at the next meeting. In the meantime I shall send a a copy of this letter and the book to every member of the Commission.

Yours truly,
DADABHAI NAOROJI.

THE CONDITION OF INDIA.

CORRESPONDENCE with the SECRETARY OF STATE FOR INDIA, by DADABHAI NAOROJI, Esq.

To the Right Hon. the MARQUIS OF HARTINGTON, the Secretary of State for India, India Office.

32, Great St. Helens, London,
MY LORD, 24th May 1880.

5. I BEG to submit a series of tables, working out in detail the total production of the Punjab for the year 1876-7.

6. My objects in troubling your Lordship are as follows:—

In 1876 I read some papers on the "Poverty of India" before the Bombay Branch of the East India Association. These papers are published in the *Journals* of the Association, and I send herewith a copy (Vol. IX., pages 236 and 352; Vol. X., pages 83 and 133). At pages 237-9 I have explained how the mode of taking the averages adopted in the various Administration Reports of India was quite wrong. When preparing my papers on the "Poverty of India," I had not sufficient time to work out all the averages for all the provinces in detail. I have now worked out in detail the averages of all the production tables of the Administration Report of the Punjab for 1876-7. I request now that the different Governments in India may be directed to supply their tables of production as fully as are prescribed by the Statistical Committee of Calcutta, that the averages may be correctly taken, as I have done in the enclosed tables, and that, in addition to the tables prescribed, may also be given a summary of the total agricultural production, like the one given in my tables, a summary of the whole production (agricultural, manufactures, and mines) as in my tables, and a table of the absolute necessaries of life for an agricultural labourer, as in my tables.

7. It is only when such complete information is furnished by the Indian authorities that any true conception can be formed of the actual material condition of India from year to year, and our British rulers can only then clearly see, and grapple with effectually, the important problem of the material condition of India, and the best means of improving it.

8. I have also to solicit your Lordship to submit my tables to the Statistical Department of the India Office, and to direct it to oblige me by pointing out any mistakes of facts or figures there may be in them.

9. In troubling your Lordship with these requests, I have no other object than to help, as far as my humble opportunities go, to arrive at the real truth of the actual material condition of India; for it is only natural that without the knowledge of the whole truth on this most important subject, all efforts, however well and benevolently intentioned, must generally result in disappointment and failures.

10. I also earnestly desire and solicit that your Lordship will kindly take into your consideration the representations I have urged in my papers on the "Poverty of India."

I remain, &c.
DADABHAI NAOROJI.

India Office, S.W.,
SIR, 9th August 1880.

11. I AM directed by the Secretary of State for India to acknowledge the receipt of your letter of the 24th May, enclosing a table of statistics relating to the value of the production of the Punjab for the year 1876-7.

12. In reply, I am to thank you for your communication, but with reference to your request that the several Governments in India may be directed to supply similar statistics of production, I am to remark that as regards the important province of Bengal, means do not exist of supplying the information you desire; whilst as regards those provinces for which such information does already exist, it appears very questionable whether the results given, owing to the absence of any sufficient machinery for their preparation, can be relied upon as trustworthy. Your letter and its enclosure have, however, been sent out to the Government of India.

13. I enclose herewith for your information copy of a memorandum upon your letter, and also copies of statistics similar to those compiled by yourself, which have been recently prepared in this Office.

I am, &c.,
Mr. Dadabhai Naoroji. LOUIS MALLET.

(Enclosure.)

MEMORANDUM on a LETTER from Mr. DADABHAI NAOROJI, dated 24th May 1880.

14. In this letter Mr. Dadabhai Naoroji requests that the several Governments in India may be instructed to furnish statistical information regarding the agricultural, mining, and manufacturing produce of their respective administrations, and that a summary may also be given, similar to one which he has prepared for the Punjab, and which he submits with his letter, in order that "a true conception may be formed of the actual material condition of India from year to year." He also asks that his tables may be submitted to the Statistical Department of the India Office, and that any mistakes of facts or figures may be pointed out to him.

15. In January, 1879, I made calculations for the greater part of India, similar to those made by Mr. Dadabhai Naoroji for the Punjab; copies of these are attached.* I do not, however, put much faith in the

* I have not inserted these tables, as those concerning Punjab are nearly similar to mine.

accuracy of the figures from which these calculations are made. The agricultural statistics of India, as they are published, can hardly be very reliable, as they are based upon averages, each average referring to a very large area, in which there may be, and probably are, many variations of conditions and circumstances; whilst in parts, such as the large and wealthy Presidency of Bengal, no statistics of agricultural produce are available.

16. In examining Mr. Dadabhai Naoroji's paper, it appears that in his calculations he has omitted to make any allowance for the value of straw, and he has made no attempt to estimate the value of the increase of agricultural stock, but he has added an arbitrary sum for the latter and for other omitted items.

17. Having, however, arrived at some figures supposed to represent the value of the produce of a certain district, the question arises as to how these figures should be applied in order to show the comparative prosperity or otherwise of the people in that district. Mr. Dadabhai has adopted the principle of equally apportioning the value of agricultural produce and manufactures, as ascertained by him from the statistics available, amongst the whole population, without distinguishing how many are agriculturists, how many mechanics, and how many belong to other trades and professions, or possess property, and whose incomes, therefore, are derived directly neither from agriculture nor from manufactures. Thus he omits all reference to railway wealth, Government stock, house property, profits of trade, salaries, pensions, non-agricultural wages, professional incomes, and returns to investments, and all other sources from which a man who does not grow food himself, may obtain the means of purchasing it.

18. From the Census Report of 1871, it appears that, out of a total population of 17,611,498 under British administration in the Punjab, 9,689,650 are returned as agriculturists, 1,776,786 male adults, equivalent to about 4,500,000 population, as engaged in industrial occupations; thus leaving a population of nearly 3,500,000 directly dependent neither upon agriculture, manufactures, nor mining, and who must therefore derive their means of subsistence from other sources.

19, Mr. Dadabhai makes out the total value of the agricultural produce of the Punjab to be Rs. 27,69,71,976,* and that from manufactures and mines Rs. 4,11,40,058. To this he adds, to meet any omissions, a further margin of 3½ crores, making the whole produce of the Punjab 35¼ crores of rupees, "which, for a population of 17,600,000, gives Rs. 20 "per head per annum at the outside for the year "1876–7," to which year the figures he has taken refer. At pages 151, 152, of his tables he shows that the cost of absolute necessaries of life of an agricultural labourer is Rs. 34 per annum, but he omits to explain how, under these circumstances, the people of the Punjab managed to live, and leaves the reader to draw his own conclusions how, with only Rs. 20 per annum, he can provide for an expenditure of Rs. 34.

20. Adopting Mr. Dadabhai's figures, with regard to which I will take no exception, I think it may be shown, by another process of reasoning than that which he adopts, that they point to the Punjab agriculturist being in good condition of prosperity rather than the reverse. First, I think it must be admitted that the agricultural produce belongs in the first instance to the man who grows it. From it he and his family will first provide themselves with food, and the remainder he will sell, either for money to enable him to pay his assessment, &c., or in barter for clothing and other necessaries, whilst a part will go to pay wages for labourers and others dependent upon him.

21. Now, if these premises be admitted, it may be shown that, allowing three-fourths of a seer (1½ lb.) of grain per head per day, according to the calculations given by Mr. A. P. Macdonnel in his "Food Grain Supply and Famine Relief in Behar and Bengal" (p. 8), or, say, 550 lbs. per annum per head of agricultural population, and allowing 6½ per cent. of the gross produce for seed, an equal quantity for cattle-feed, and 2 per cent. for waste, or together 15 per cent., the value of the surplus agricultural produce is sufficient to yield Rs. 24 per head per annum for other requirements, and Rs. 22 per head after deduction of the land revenue demand, or, say, 8*l.* 16*s.* per annum per family of four persons.

22. The other population of the Punjab (omitting Native States) numbers 7,921,848, for whom the remaining food grain grown, after allowing for the food of agriculturists, cattle, seed, waste, &c., amounting to 5,401,151,059 lbs., is sufficient to provide them with an average rate of over 600 lbs. per head per annum. To supply them with 550 lbs. per head per annum would take 4,357,016,400 lbs., leaving a surplus of 1,044,134,659 lbs., or over 450,000 tons for export. The food grain grown in the Punjab is, therefore, apart from other food supplies, more than sufficient to feed the whole population, and it is well known that considerable quantities of wheat are exported thence.

23. The numbers engaged in manufactures in the Punjab I have stated to be about 4,500,000. The net value of manufactures, after deducting the value of raw material, is given by Mr. Dadabhai as only Rs. 4,08,40,058, or about Rs. 9 per head per annum of the population engaged therein. This, I think, sufficiently shows that there must be some error in the value given.

F. C. DANVERS.

India Office, 28th June 1880.

32, Great St. Helens, London,

SIR, 12th August 1880.

24. I HAVE received your letter of the 9th inst., and I tender my sincere thanks to his Lordship the Secretary of State for India for the kind attention he has given to my letter of the 24th May last, and for forwarding it to the Government of India.

25. The necessity for having correct information about the material condition of India is so very great, both to rulers and the subjects, that I venture to say that any reasonable and well-directed expenditure for this object would be productive of great good; and that, therefore, the Government of India may be requested to improve the existing machinery as much as it may be needed to obtain from the different Governments the tables of production and consumption with as much approximate accuracy as possible. The tables, even so far as are at present supplied, are useful, and I cannot think that it would be difficult for the different Governments to improve the existing arrangements, so as to get sufficiently approximate results for the guidance of the legislation and administration of the country with the greatest practical good, and without the commission of such mistakes as are unavoidably made in the ignorance of the actual state and wants of the country.

26. For Bengal, also, I hope some means may be devised to obtain such information.*

27. It does not remain for me now, with the evidence of your present letter and its enclosures before me, to impress upon the India Office the great importance of these statistics; for I find that when I commenced working at these tables, about the beginning of last year, the India Office had already got these very tables prepared for their use, and I cannot but express my gladness to find such to be the case.

28. I am sorry I am not at present well able to give such attention to the enclosures of your letter as I desire, as I am not in good health and am under medical treatment.

I remain, &c.

Sir Louis Mallet, DADABHAI NAOROJI.
Under Secretary of State for India.

32, Great St. Helens, London,

SIR, 13th September 1880.

29. IN continuation of my letter of the 12th ult., I now beg to submit, for the consideration of his Lordship the Secretary of State for India, the accompanying memorandum on Mr. Danver's two papers of 4th January 1879, and 28th June 1880, and I hope his Lordship will give it the same kind attention that was shown to my former letter.

30. I request that copy of this letter and memo. be sent to the Indian Government, as I think that views similar to those of Mr. Danvers more or less prevail in India also.

* There was an error in my table; this amount should be Rs. 27,72,56,263.—D. N.

* For Bengal also some tables are being supplied (*see* App. C., para. 15).

31. I shall esteem it a great favour if it is pointed out to me that I am mistaken in any of my views now put forth. My only desire is to find out the truth, and that India may receive and enjoy the blessings and benefits which the British nation is really capable of bestowing on her, if once British statesmen give their usual conscientious attention to her concerns.

I remain, &c.

Sir Louis Mallet, DADABHAI NAOROJI.
Under Secretary of State for India.

MEMORANDUM on Mr. DANVER'S PAPERS of 28th June 1880, and 4th January 1879.

32. Mr. Danvers says: "In examining Mr. Dadabhai "Naoroji's paper, it appears that in his calculations "he has omitted to make any allowance for the value "of straw, and he has made no attempt to estimate "the value of the increase of agricultural stock, but "he has added an arbitrary sum for the latter and for "other omitted items."

33. I have omitted not only straw, but also grass, cotton seed, and any fodder or other food for animals which I have not taken in my tables; and further, I should also omit all that portion of the inferior grains which I have shown in my table—of about 30 per cent. of the whole acreage of grains and which is grown for the food of animals.

34. The reason is this: the principle to be considered is—first, either the whole *gross* annual production of the country may be taken (including straw, grass, &c., &c.), and from this *gross* production, before apportioning it per head of human population, a deduction should be made for the portion required for all the stock, which, in the case of the Punjab, are above 7,000,000 large cattle and near 4,000,000 sheep and goats; or, second, all straw, grass, and every production raised for animal food should be left out of calculation, and only the rest of the production which is and can be turned to human use should be apportioned among the human population. Mr. Danvers may adopt either of the above two methods, whichever he may consider would give most correctly the actual production for human use. It would not be correct to include the produce raised for animal use, and then not to make the necessary deduction for such use. I would put this matter in another form.

35. Suppose on the 1st of January 1880, we have in India a certain amount of material wealth in all its various forms, and we take complete stock of it; that during the year following, the country works in all its varieties of ways, consumes for all its various human, animal, and instrumental wants from the store existing on the 1st January 1880; and that after the end of the year, on 1st January 1881, we gather together or take stock of every possible kind of material production (agricultural, mineral, and manufacturing, and addition from profits of foreign trade) during the year. This production during the year will have to meet all the wants of the next year. If this production prove less than what would be wanted for the next year, then there would be a deficiency, and either the original wealth or capital of the country will have to be drawn upon, or the people will be so much less supplied with their wants in some shape or other; in either way showing a diminution of prosperity, both as property and capacity. If, on the other hand, the whole material production of the year prove more than what would be necessary for the next year for all ordinary or usual wants, then a surplus would accrue, and so far, in some permanent form, add to the capital of the country and increase its prosperity.

36. I request, therefore, that Mr. Danvers may be asked to work out the total production and wants of India for, say, the last dozen years, on correct principles of calculation, from such materials as are already available at the India Office, supplementing such information as may be deficient by asking from India and from experienced retired officials who are now in this country. Such tables will show what the actual material condition of the country is, and whether it is increasing or diminishing in prosperity. Unless such information is obtained, the Government of the country will be blind and in the dark, and cannot but result in misery to India, and discredit to the rulers, their best intentions notwithstanding. It is hopeless to expect an intelligent government without the aid of such important information annually.

37. I am glad Mr. Danvers has made an estimate of the annual increase of agricultural stock in his paper of 4th January 1879, and as I have to say something upon this paper further on, I do not say anything here upon the subject of stock.

38. Mr. Danvers says: "Mr. Dadabhai has adopted "the principle of equally apportioning the value of "agricultural produce and manufactures, as ascer-"tained by him from the statistics available, amongst "the whole population, without distinguishing how "many are agriculturists, how many mechanics, and "how many belong to other trades or professions, or "possess property, and whose incomes, therefore, are "derived directly neither from agriculture nor from "manufactures. Thus he omits all reference to "railway wealth, Government stock, house property, "profits of trade, salaries, pensions, non-agricultural "wages, professional incomes, and returns to invest-"ments, and all other sources from which a man who "does not grow food himself may obtain the means of "purchasing it.

39. "From the Census Report of 1871 it appears that, "out of a total population of 17,611,498 under British "administration in the Punjab, 9,689,650 are returned "as agriculturists, 1,776,786 adult males, equivalent "to about 4,500,000 of population, as engaged in "industrial occupations, thus leaving a population of "nearly 3,500,000 directly dependent neither upon "agriculture, manufactures, nor mining, and who "must therefore derive their means of subsistence "from other sources."

40. I take each of the items:—

1st. *Railway Wealth.*—I am not sure what Mr. Danvers means by "railway wealth." In his paper of 4th January 1879 he regards railways as "enhancing "the value of food grains and adding, *pro tanto*, to "the wealth of the districts through which they run." If he means in the above extract, by "railway wealth," something different, then that needs to be explained. In the meantime, I adopt the interpretation as I make out with the aid of his paper of 4th January 1879.

41. Suppose 100 maunds of wheat exist in the Punjab, and its cost to the producer, say, is Rs. 100—suppose that this wheat is carried by railway to Bombay, and its value at Bombay is Rs. 125, does Mr. Danvers mean that this circumstance has *added* Rs. 25, or anything at all, to the existing wealth of India?

42. If so, then no such thing has happened. The 100 maunds of wheat existed in the Punjab, and the Rs. 125 existed in Bombay, before the wheat was moved an inch. After the movement the only result has been change of hands. The wheat has gone to Bombay, and the Rs. 125 are distributed between the owner at Punjab, who receives Rs. 100, and the railway owners and workers, and the merchant who carried through the transaction, who between them divide the Rs. 25. By the mere fact of the removal of the wheat from the Punjab to Bombay not a single grain of wheat nor a single pie of money is *added* to what already existed in India before the wheat was touched. Such "railway wealth" does not exist. If the mere movement of produce can *add* to the existing wealth, India can become rich in no time. All it would have to do is to go on moving its produce continually all over India, all the year round, and under the magic wheels of the train, wealth will go on springing till the land will not suffice to hold it. But there is no royal (even railway) road to material wealth. It must be produced from the materials of the earth till the great discovery is made of converting motion into matter. I should not be misunderstood. I am not discussing here the benefits of railways, whatever they are, to any country or to India. To show that the people of India are not deriving the usual benefits of railways, I give hereafter a short separate section. Here it is enough for me to state that railways are, in a way, an indirect means of increasing the material production of any country, but that, whatever that "means" is, its result is fully and completely included in the estimate of the actual annual production of the country, and that there is nothing more to be *added* to such actual material production of the year.

43. 2nd. *Government Stock.*—Suppose I hold a lakh of rupees of Government 4 per cent. rupee paper. It does not, from itself, produce or create or make to

grow out any money or food or any kind of material wealth for me. It simply means that Government will give me Rs. 4,000 every year, and that, not by creating anything by any divine power, but from the revenue of the country; and this revenue can be got from only the actual material production of the year. So, in reality, my income of Rs. 4,000 from "Government stock" is nothing more nor less than a share out of the production of the country, and is, therefore, fully and completely included therein. No addition has to be made from "Government stock" to the actual material production of the year. No such addition exists at all.

44. 3rd. *House Property.*—Suppose I have taken a house at a yearly rental of Rs. 1,000. The house does not grow or create the rent by the mere fact of my occupying it. I have to pay this amount out of my income of Rs. 4,000 from Government stock, and so the house-owner receives through me and the Government his share out of the production of the country. The discussion of the other items further on will show that, be my income from any of the various sources Mr. Danvers suggests, it is ultimately and solely derived from, and is included in, the yearly production of the country, and the owners of "house property" simply take their share, like everybody else from this same store.

45. 4th. *Profits of Trade.*—I take, first, foreign trade. Mr. Danvers is quite right that the foreign trade of a country adds to its annual income or production.* But, unfortunately, the case of India is quite otherwise. The present system of British administration not only sweeps away to England the whole profits of the foreign trade, but also drains away a portion of the annual production itself of the country. So that, instead of India making *any* addition from its "profits of foreign trade" to its yearly production, a deduction has to be made from such production in estimating the actual quantity that ultimately remains for the use of the people of India. A portion of the actual production, through the channel of foreign trade, goes clean out of the country to England, without an atom of material return. The manner in which the foreign trade of India becomes the channel through which India's present greatest misfortune and evil operate, I treat further on in a separate section, to avoid confusion. It is enough for me to say here that, as matters actually stand, instead of there being, as should be, any addition from foreign trade to the annual production of India, there is actually a diminution, or drain of it clean out of the country to England, to the extent of some 18,000,000*l.* a year, together with, and over and above, all its "profits of trade." I grieve, therefore, that I have nothing to *add* from "profits of trade," as Mr. Danvers suggests, but much to *subtract*.

46. I take next the internal trade. Resuming the illustration of the 100 maunds of wheat at Punjab, say a merchant buys at Rs. 100 and sends it to Bombay, where he gets Rs. 125. The result simply is that the wheat is still the same 100 maunds, and the Rs. 125 that existed in Bombay are still Rs. 125, but that out of Rs. 25 the merchant receives his "profit of trade," and the railway its charges for carrying. Not a single atom of money or wheat is added to the existing wealth of the country by this internal trade; only a different distribution has taken place. I should not be misunderstood. I am not discussing here the usefulness of internal trade, whatever it is; I am only pointing out that any increase in the material income of the country by the mere transactions of the internal trade is a thing that does not exist, and that whatever benefits and "profits of trade" there are from internal trade, are fully and completely included in the ultimate result of the actual material production of the year.

47. 5th. *Salaries and Pensions.*—These will be official and non-official. Official salaries and pensions are paid by Government from revenue, and this revenue is derived from the production of the country; and so from that same store are all such salaries and pensions derived. For non-official salaries or pensions the phenomenon is just the same. I pay my clerks or servants either from my profits of trade, or interest of Government stock, or from rent of my house property, or from any of the sources which Mr. Danvers may suggest, but one and all of these incomes are drawn from the same store—the annual material production of the country. All salaries and pensions are thus fully and completely included in the estimate of the production.

48. But this is not all. In these salaries and pensions, &c., do we come to the very source of India's chief misfortune and evil, which, as I have already said, works through the medium of the foreign trade. It is the salaries and pensions, and all other expenditure incident to the excessive European agency, both in England and India, which is India's chief curse, in the shape of its causing the exhausting drain which is destroying India. In the ordinary and normal circumstances of a country, when all the salaries, pensions, &c., are earned by the people themselves, and remain in the country itself to fructify in the people's own pockets, there is no such thing as an addition to the annual production of the country from "salaries and pensions." But as far as India is concerned, the case is much worse. All salaries and pensions, &c., paid to Europeans in England and India, beyond the absolute necessity of the maintenance or supervision of British rule, are actually, first, a direct deprivation of the natural provision for similar classes of the people of the country, and, second, a drain from the property and capacity of the country at large. So, unfortunately, is there nothing to be *added*, as Mr. Danvers asks, from "salaries and pensions," but much to be *subtracted*, that is either spent in England or remitted to England from the resources of India, and for which not a particle returns, and what is enjoyed in India itself by the Europeans.

49. Mr. Danvers may kindly consider his own salary. It is derived from the production of India. It is brought to England, and not a farthing out of it returns to India. Even if it returned it would be no *addition* to the wealth of India: but as it does not return, it is so much actual *diminution* from the means of the subsistence of the people. I should not be misunderstood. That for a good long time a reasonable amount of payment for British rule is necessary for the regeneration of India is true, and no thinking Native of India denies this. It is the evil of excessive payment that India has to complain of. But what I have to point out here is that salaries and pensions, even to the Natives themselves, are no addition to the wealth, and much less are those which are not paid to the people of the country. The increase supposed by Mr. Danvers does not exist. There is, on the contrary, much diminution.

50. 6th. *Non-Agricultural Wages.*—A person employed by a farmer, say as a labourer, upon building his house, is paid from the farmer's agricultural income. A person employed by merchant, a householder, a stockholder, a pensioner, or a salaried man, or on a railway, is paid from their income, which, as I have explained, is derived from the only great store—the annual material production of the country. In short, every labourer—mental or physical—has his share for his subsistence, through various channels, from the only one fountain-head—the annual material production of the country. There is no source outside the production (including any addition to it from profits of foreign trade) from which any individual derives his means of subsistence.

51. 7th. *Professional Incomes.*—I consult a doctor, or a solicitor. The mere act of my consulting these professional gentlemen does not enable me to create money to pay them. I must pay them from my income as an agriculturist, or a miner, or a manufacturer, or a stockholder, or a householder, &c.; and my such income is all and solely derived from the material production of the country.

52. I need not now go any further into a repetition of the same argument with regard to—

53. 8th. "Returns to investments and all other "sources from which a man who does not grow food "himself may obtain the means of purchasing it;" or leaving a population "directly dependent neither upon "agriculture, manufactures, nor mining, and who must "therefore derive their means of subsistence from other "sources."

54. There *do not exist* any such "other sources," except profits of foreign trade. But, unfortunately for India, instead of foreign trade bringing any profits, it is actually the channel by which, in addition to all such profits, a portion of the production itself is also swept away. So India exhibits the strange phenomenon, that her people cannot get any benefit from profits of foreign trade, and cannot enjoy for their subsistence

* Taking the aggregate wealth of the world, foreign trade even adds nothing. It simply then becomes internal trade, and is mere change of hands, as explained further on.

even their own production, fully or adequately. The result of all the different influences—forces, labour, knowledge, land, climate, railways, or all other kinds of public works, good government, justice, security of property, law, order—and all the above eight and other so-called sources of income, is *fully and completely* comprised in the *ultimate resultant* of all of them—viz., the actual material income of the year. Its increase or decrease every year is, in fact, *the* test of the ultimate and full result of all the above direct and indirect means of the production of a country. If the material income of the year does not suffice for all the wants of the whole people for the year, the existing "capital"-wealth of the country is drawn upon, and, so far, the capital and the capacity for annual production are diminished.

55. I submit, therefore, that Mr. Danvers' argument of the "other sources" has to be laid aside.

56. Mr. Danvers says: "Mr. Dadabhai makes out the "total value of the agricultural produce of the Punjab "to be Rs. 27,72,56,263, and that from manufactures "and mines, Rs. 4,11,40,058. To this he adds, to meet "any omissions, a further margin of 3½ crores, making "the whole produce of the Punjab 35½ crores of rupees, "'which, for a population of 17,600,000, gives Rs. 20 "'per head per annum at the outside for the year "'1876-7,' to which year the figures he has taken refer. "At page 152 of his tables he shows that the cost of "absolute necessaries of life of an agricultural labourer "is Rs. 34 per annum, but he omits to explain how, "under these circumstances, the people of the Punjab "managed to live, and leaves the reader to draw his own "conclusions how, with only Rs. 20 per annum, he can "provide for an expenditure of Rs. 34."

57. Why, that is the very question I want Government to answer: How can they expect people to manage to live, under such circumstances, without continuously sinking into poverty? The first real question is, Are these facts or not? If not, then what are the actual facts of the "means and wants" of the people of India? If they are, then the question is for Mr. Danvers and Government to answer, how people can manage to live. The answer to the question is, however, obvious—viz., that as the balance of income every year available for the use of the people of India does not suffice for the wants of the year, the capital-wealth of the country is being drawn upon, and the country goes on becoming poorer and poorer, and more and more weakened in its capacity of production; and that the American War, for a little while, gave, and the various loans give, a show of prosperity, to end in greater burdens and greater destruction by famines.

58. These facts of the insufficiency of the means for the wants go to prove the late Lord Lawrence's statements, made in 1864, as Viceroy, and in 1873, before the Finance Committee. In 1864, he said that India was, on the whole, a very poor country, and the mass of the people enjoyed only a scanty subsistence; and, in 1873, he repeated that the mass of the people of India were so miserably poor that they had barely the means of subsistence; that it was as much as a man could do to feed his family, or half feed them, let alone spending money on what might be called luxuries or conveniences. Such, then, is the manner in which the people of India manage to live: scanty subsistence, and dying away by millions at the very touch of drought. In the case of the Punjab, as the latest British possession, and least drained, and from other circumstances noted below,* the people have had, as yet, better resources, in their "capital" wealth, to draw upon; but taking India as a whole, Lord Lawrence's words are, most deplorably, but too true.

59. I need not discuss Mr. Danvers' paper of 28th June 1880 any further. The fallacy of "other sources" besides agriculture, mines, manufactures, and foreign trade, pervades his whole argument; and in the latter part of the paper two different matters are mixed up, a little misapprehension has taken place as to my meaning, and some part is irrelevant.

60. The whole question now before us is simply this:—

First, what the whole actual, material, annual income of India is, as the ultimate balance of all sources and influences; that is available for the use of the *whole people of India.*

Secondly, what the absolutely necessary wants and the usual wants of all classes of the people are; and

Thirdly, whether the income of India is equal to, less, or more than such wants.

61. By carefully ascertaining these facts every year, shall we ever be able to know truly whether India is progressing in prosperity, or sinking in poverty, or is in a stationary condition. This is the whole problem, and it must be boldly faced and clearly answered if the mission of Britain is the good of India, as I firmly believe it to be.

62. As to the question, how and by whom, directly or indirectly, the income is actually produced, and how and by whom, and through what channels this income is distributed among the whole people, that is an entirely different matter, and, though important in itself and involving much legislation, is quite separate from the first and fundamental question of the whole total of the means and wants of India.

63. I may explain the misapprehension to which I alluded above. In my tables for consumption, in taking "the cost of absolute necessaries of life of an agricultural labourer," I meant him as merely representing the lowest class of labourers of all kinds, so as to show the lowest absolutely necessary wants of the people.

64. I am under the impression that there is a Statistical Committee at Calcutta, which has existed for the past 20 years, and I hope it will adopt means to give complete tables of the wants and means of India.

65. As I am requesting his Lordship the Secretary of State for India that Mr. Danvers be asked to work out the wants and means of the people of India during the last 12 years, and that the Government of India may adopt means to perfect the machinery for getting complete information for the future, I submit a few remarks on Mr. Danvers' tables of January 4, 1879, so kindly sent to me. As I have my Punjab tables only for comparison, I examine Mr. Danvers' Punjab tables only.

66. In his table of quantities of all the inferior grains, Mr. Danvers has taken the crop per acre of only some of the grains whose average is 510 lbs. per acre. But the produce of makai and gram, which are included by Mr. Danvers in the inferior grains, is larger, and the result is a large error. The acreage of makai is 1,054,339 acres, and the average produce per acre is 1,500 lbs., so that this produce is under-estimated to the extent of taking only about one-third of the actual quantity. The average produce of gram is 645 lbs. per acre, and the acreage is 2,272,236 acres. On this large acreage there is nearly 26 per cent. of under-estimate. The result of the whole error in the table of inferior grains is that the total quantity is taken by Mr. Danvers as 6,504,880,162 lbs., when it actually is 7,371,110,343 lbs., or above 866,200,000 lbs. more.

67. In the prices of inferior grains it is necessary to make proper allowance for the lower prices of such grains as moth, kangni, chiná, matar, and masur, which are nearly 25 per cent. lower than the other grains—jowár, bájrá, másh, mung, and arhar. This makes an over-estimate of 240,000*l.* The prices for makai, jow, and gram are given in the Report, and separate estimates should, therefore, be made of the values of these grains, to obtain all possible approximation to truth and accuracy.

68. The total under-estimate by Mr. Danvers is 1,300,000*l.* in the value of inferior grains.

69. In "other crops" the value assumed by Mr. Danvers is nearly only one-fourth of what I make, by taking every item separately—*i.e.*, I make Rs. 19,16,294 against Mr. Danvers' Rs. 4,73,200.

* The Punjab is favoured by nature and by circumstances. By nature, inasmuch as it is one of the most fertile parts of India. It is "Punj-aub," the land of the five waters, and it has both natural and artificial irrigation. It is favoured by circumstances, inasmuch as that (excepting Bengal, in its special fortunate circumstances of the permanent settlement) Punjab pays the least land revenue, viz., the Punjab pays Re. 1-2-2 per head per annum, the North-West Provinces pay Re. 1-6, Madras Re. 1-7, and Bombay Rs. 2-4-3 (*see* my tables page 150). I have taken these figures for 1875-6; those for 1876-7 would be unfair and abnormal, on account of the Bombay and Madras famines. Further, the Punjab has been further favoured by other circumstances in the following way:—

The Administration Report of 1856-8 says: "In former reports it was "explained how the circumstance of so much money going out of the "Punjab contributed to depress the agriculturalists. The Native "regular army was Hindustani; to them was a large share of the "Punjab revenue disbursed, of which a part only was spent on the spot, "and a part was remitted to their home. Thus it was that, year after "year, lakhs and lakhs were drained from the Punjab, and enriched "Oudh. But within last year, the Native army being Punjabi, all such "sums have been paid to them, and have been spent at home. Again, "many thousands of Punjabi soldiers are serving abroad; these men "not only remit their savings, but have also sent a quantity of prize "property and plunder—the spoils of Hindustan—to their native "villages. The effect of all this is already perceptible in an increase "of agricultural capital, a freer circulation of money, and a fresh "impetus to cultivation."

It will be seen that the Punjab has more capital to draw upon, and has some addition to its resources at the expense of the other provinces, to make up for some of its deficiency of production.

70. In the following articles Mr. Danvers has adopted the average given in the Report, which, as pointed out by me on previous occasions, is taken on the fallacious principle of adding up the produce per acre of the districts and dividing by the number of districts, without any reference to the quantity of acreage of each district.

Produce.	Incorrect Average.	Correct Average.	Error. Correct Average. More per cent.	Error. Correct Average. Less per cent.
Vegetables - -	4,008	4,753	18½	—
Sugar* - -	440	646	44	—
Cotton* - - -	102	105	3	—
Tobacco - -	325	846	2½	—
Fibres - - -	322	366	13¾	—
Indigo - -	47	31	—	33
Opium - - -	10	12·5	25	—

* As to some probable errors in these two articles in the Report, I have already given my views in my tables.

71. In the case of indigo, cotton, tobacco, and hemp, the error has not been large, as the incorrect average is adopted by Mr. Danvers for a few districts only. I notice such differences as 2½ and 3 per cent. also, because in dealing with figures of hundreds and thousands of millions, these percentages, singly as well as collectively, seriously disturb the accuracy of results. It is very necessary to avoid, as much as possible, all *avoidable* errors, large or small, so that then reliance can be placed upon the results.

72. The Report gives the price of first sort sugar only, but which, applied to the whole quantity of all kinds, makes the value of nearly two-thirds of the whole quantity quite two-and-a-half times greater than it actually is; the overestimate comes to nearly 1,800,000*l.*

73. The price of indigo, as ascertained by me (Rs. 60 per maund), is nearly 20 per cent. higher than that assumed by Mr. Danvers (Rs. 50 per maund).

74. Mr. Danvers has taken a seer = 2 lbs., when in reality it is nearly 6 per cent. of a pound larger, which becomes a serious error in the large amounts to be dealt with.

75. Mr. Danvers has adopted the prices of 1st January 1877, only, instead of taking an average of the prices of the four periods given in the Report, to represent the whole year.

76. In his remarks at page 16, Mr. Danvers makes no allowance for seed, which is an important item. He includes straw, all inferior grains, and cotton seed, and yet makes no allowance at all for the feed of animals (some 7,000,000 large cattle, and near 4,000,000 sheep and goats) before apportioning the produce per human head. Grass being not taken, makes some allowance for animals so far.

77. I cannot say on what grounds (page 16) 4 per cent. is assumed for annual increase of large cattle, and 15 per cent. of sheep and goats. I have not got the Report for 1878–9, when the next quinquennial enumeration of stock must have been made, but on comparing the numbers of the last two enumerations of 1868–9 and 1873–4, the result is as follows :—

—	1868–9.	1873–4.	Increase.	Decrease.	Per cent.
Cows, bullocks, and buffaloes.*	6,797,561	6,570,212	—	227,349	3¼
Horses - - -	96,226	84,639	—	11,587	12
Ponies - -	51,302	51,395	93	—	—
Donkeys - -	257,615	288,118	30,503	—	11·8
Camels - -	148,582	165,567	16,985	—	11·4
Total - -	7,351,286	7,159,931	=	191,355	
Sheep and goats -	3,803,619	3,849,642	46,023	—	1¼

* In the report of 1868-9 the heading is only "cows and bullocks," while, in 1876-7, it is given as "cows, bullocks, and buffaloes." Now if buffaloes are not included in 1868-9, the diminution in cattle will be very much larger. Most probably buffaloes are included in 1868-9 figures. But this must be ascertained. It is a serious matter.

78. From this comparison it appears that in the important items of cows, bullocks, and buffaloes, instead of any increase, there is actually a decrease of 227,349, or 3¼ per cent. during the five years. In horses, also, there is a decrease of about 2½ per cent. every year, instead of 4 per cent. increase. In ponies the increase is hardly ⅙ per cent. in five years, in donkeys about 11 per cent., and in camels about 11 per cent. in all the five years, or about 2¼ per cent. per year, instead of 4 per cent. In sheep and goats the increase is hardly 1¼ per cent. in five years, instead of 15 per cent. per year. For cows and bullocks, and sheep and goats, there is one allowance to be made—viz., for what are killed for food. To make out the increase in cows, &c. of 4 per cent. every year, nearly 4¾ per cent. must have been killed every year for food, and for sheep and goats the percentage of killed should be nearly 14¾ per cent. per annum. Is it so?

79. Mr. Danvers has assumed ghi produced in the Punjab to be four times as much as imported (52,303 maunds) into it, and he thus makes the quantity produced to be 209,212 maunds. Now the value of the imported ghi is also given in the Report as Rs. 9,64,028, which, taken four times, would be 385,611*l.* But Mr. Danvers has overlooked this actual price, and adopted the fallacious average of the table of prices in the Report, which makes the price 1s. 12c. per rupee. At this incorrect price the value will be 478,198*l.*, or nearly 25 per cent. more than the actual value given in the Report. But not only has there been this incorrect increase thus made, but, by some arithmetical mistake, the value put down by Mr. Danvers is above three times as much as even this increased amount—*i.e.*, instead of 478,198*l.*, Mr. Danvers has put down 1,501,096*l.* If this be not merely an arithmetical mistake, it requires explanation.

80. Mr. Danvers has taken the import of ghi from "foreign trade" only, and has overlooked a further quantity of import, "inter-provincially," of 16,312 maunds, of the value of 34,741*l.*, which, taken four times, would be 138,964*l.*, making up the total value of the assumed produce of ghi in the Punjab to be 385,611*l.* + 138,964*l.* = 524,575*l.*

81. Working upon Mr. Danvers' own assumption, and what information I have been at present able to obtain, it appears that the assumption of four times the import, or 525,000*l.*, will be an under-estimate by a good deal. I am not at present able to test the accuracy of Mr. Danvers' assumption of the produce of milk, nor of the information I am using below, but I give it just as I have it, to illustrate the principle. I adopt Mr. Danvers' assumption of 10 per cent. of the whole cattle to be milch animals. The number then will be 657,000. Of these, cows may be taken, I am told by a Punjabi, as 75 per cent., and buffaloes 25 per cent. This will give 164,250 buffaloes and 492,750 cows. Each buffalo may be taken, on an average, as giving 6 seers of milk per day for six months in the year, and each cow about 3 seers. The quantity of milk will then be—

164,250 × 6 seers × 180 days = 177,390,000 seers.
492,750 × 3 seers × 180 days = 266,085,000 seers.

Total - - 443,475,000 seers.

82. Mr. Danvers assumes for milk used in the province to be about Rs. 10 per annum from each of the 10 per cent. of the cattle, and, taking the price of milk to be 16 seers per rupee, the quantity of milk used would be 657,000 × 160 = 105,120,000 seers. This, deducted from the above total produce of milk, will give (443,475,000—105,120,000) 338,355,000 seers as converted into ghi. The produce of ghi is about ⅛th to $\frac{1}{16}$th of milk, according to quality. Assuming $\frac{1}{12}$th as the average, the total quantity of ghi will be about 28,196,250 seers = 704,906 maunds, or, allowing a little for wastage, say 700,000 maunds, which, at the import price (Rs. 13,11,445 for 68,615 maunds) of Rs. 19 per maund, will give about 1,339,300, or nearly 2¾ times as much as Mr. Danvers has assumed. I have endeavoured in a hurry to get this information as well as I could, but it can be obtained correctly by the officials on the spot. My object at present is simply to show, that calculated on Mr. Danvers' assumption of milch-cattle and milk used, how much ghi should be produced in the country, if the information I have used be correct.

83. For hides and skins the export only is taken into account, but a quantity must be consumed in the province itself, which requires to be added.

84. The value assumed, Rs. 100 per horse, is rather too high. Rs. 60 or Rs. 70, I am told, would be fairer; so also for ponies, Rs. 25 to Rs. 30, instead of Rs. 35; and camels, Rs. 60 or Rs. 70 or Rs. 75, instead of Rs. 100. For sheep, &c., Rs. 1½ instead of Re. 1 would be fairer.

85. But, as I have said above, officials in India can give all this information correctly for every year, and I do not see any reason why this should not be done. I urgently repeat my request that the wants and means of the last 12 or 15 years may be ordered by his Lordship the Secretary of State to be carefully worked out, as far as practicable, and that future Reports should be required to give complete information.

Railways.

86. I may take railways to represent public works. The benefits generally derived from railways are these: they distribute the produce of the country from parts where it is produced, or is in abundance, to the parts where it is wanted, so that no part of the produce is wasted, which otherwise would be the case if no facility of communication existed. In thus utilising the whole produce of the country, the railway becomes directly a saving agent, and indirectly thereby helps in increasing the production of the country.

87. It brings the produce to the ports at the least possible cost for exportation and commercial competition for foreign trade, and thus indirectly helps in obtaining the profits of foreign trade, which are an increase to the annual income of a country.

88. Every country, in building railways, even by borrowed capital, derives the benefit of a large portion of such borrowed capital, as the capital of the country, which indirectly helps in increasing the production of the country. Excepting interest paid for such borrowed capital to the foreign lending country, the rest of the whole income remains *in the country*.

89. But the result of *all* the above benefits from railways is ultimately realised and comprised in the actual annual income of the country.

90. The misfortune of India is that she does not derive the above benefits, as every other country does.

91. You build a railway in England, and, say, its gross income is a million. All the employés, from the chairman down to common labourer, *are Englishmen*. Every farthing that is spent from the gross income is so much returned to Englishmen, as direct maintenance to so many people *of England*, and to England at large, as a part of its general wealth. Whether the shareholders get their 5 per cent., or 10 per cent., or 1 per cent., or 0 per cent., or even lose, it matters not at all to the whole country. Every farthing of the income of the million is fully and solely enjoyed by *the people of the country*, excepting only (if you borrowed a portion of the capital from foreign parts) the interest you may pay for such loan. But such interest forms a small portion of the whole income, and every country with good railways can very well afford to pay. All the benefits of railways are thus obtained and enjoyed by *the people of the country*.

92. Take the case of the United States. India and the States are both borrowers for their railways (the latter only partially), and they both pay interest to the lending countries. They both buy, say, their rails, machinery, &c., from England, the States buying only a portion. So far, they are under somewhat similar circumstances; but here the parallel ends. In the United States, every cent of the income of the railway (excepting the interest on the foreign loan) is the income of *the people of the country* — is a direct maintenance for the people employed on it, and an indirect property of the whole country, and remaining *in* it.

93. In India the case is quite different. First, for the directors, home establishments, Government superintendence, and what not, in England, a portion of the income must go from India; then a large European staff of employés (excepting only for inferior and lowest places or work left for Natives) must eat up and take away another large portion of the income and to the rest of the people of the country are welcome, with the result that, out of their production which they give to the railways, only a *portion* returns to them, and *not the whole*, as in all other countries (except interest on foreign loan), and the diminution lessens, so far, the capacity of production every year. Such expenditure, both in England and India, is so much direct deprivation of the natural maintenance of as many people of India of similar classes, and a loss to the general wealth and means of the people at large. Thus the whole burden of the debt is placed on the shoulders of the people of India, while the benefit is largely enjoyed and carried away by the people of England; and yet Englishmen raise up their hands in wonder why India should not be happy, pleased, and thankful! Some years ago, I asked Mr. J. Danvers to make a return, in his annual Railway Report, of the salaries and every other kind of disbursement on Europeans, both in England and India. If I remember rightly (I cannot just now lay my hands on the correspondence), he was kind enough to promise he would try. But I do not know that this information has been given. Let us have this information, and we shall then know why India does *not* derive the usual benefits from railways; how many Europeans displace as many Natives of the same class, and deprive them of their natural means of subsistence (some 3,600 in India, and all those in England), and what portion of the income the people of India do not see or enjoy a pie of.

94. Instead, therefore, of their being any "railway wealth" to be added to the annual production or income of India, it will be seen that there is much to be deducted therefrom to ascertain what *really* remains for the use of its own people; for the income of railways is simply a portion or share of the production of the country, and what is eaten up and taken away by Europeans is so much taken away from the means of the people.

95. It is no wonder at all that the United States have their 70,000 or more miles of railways, when India, under the *British Government*, with all its wonderful resources, with all that good government can do, and the whole British wealth to back, has hardly one-tenth of the length, and that even with no benefit to the people of the country. In short, the fact of the matter is that, as India is treated at present, all the new departments, opened in the name of civilization, advancement, progress, and what not, simply resolve themselves into so much new provision for so many more Europeans, and so much new burden on exhausting India. We do pray to our British rulers, let us have railways and all other kinds of beneficial public works, by all means, but let *us* have their natural benefits, or talk not to a starving man of the pleasures of a fine dinner. We should be happy to, and thankfully pay for such European supervision and guidance as may be absolutely necessary for successful work; but do not, in Heaven's and Honesty's names, talk to us of benefits which *we do not* receive, but have, on the contrary, to pay for from our own. If *we* are allowed to derive the usual benefits of railways and other public works, under such government as the British—of law, order, and justice — we would not only borrow 200,000,000*l.* but 2,000,000,000*l.*, and pay the interest with as many thanks, with benefit both to ourselves and to England, as India would then be her best and largest commercial customer.

96. The real important question, therefore, in relation to public works is, not how to stop them, but how to let *the people of the country* have their full benefits. One of the most important parts of England's great work in India is to develop these public works, but to the *people's* benefit, and not to their detriment—*not that they should slave, and others eat.*

Foreign Trade.

97. Resuming our illustration of the 100 maunds of wheat from the Punjab, arriving at Bombay, costing to the Bombay merchant Rs. 125, we suppose that this merchant exports it to England. In ordinary course and natural conditions of trade, suppose the Bombay merchant, after two or three months, gets his net proceeds of Rs. 150 either in silver or as a bale of piece-goods, which could be sold at Bombay for Rs. 150. The result, then, of this "foreign trade" is that, before the wheat left Bombay, there were 100 maunds of wheat costing Rs. 125 at the time of export, and *after* the operation, India has either Rs. 150, or a bale of cotton goods worth Rs. 150. There is thus a clear "profit of trade" of Rs. 25, or, in other words, an addition of Rs. 25 worth, either in silver or goods, to the annual income or production of the country. This, in ordinary commercial language, would be: India exported value Rs. 125, in the shape of wheat, and imported value Rs. 150 in the shape of silver or merchandise, or both, making a trade profit of Rs. 25.

98. Under ordinary natural circumstances, such is the result of foreign trade to every country. I shall take the instance of the United Kingdom, and we may see what its ordinary foreign trade profits have been during a few past years—say from 1871 to 1878.

PROFITS OF FOREIGN TRADE OF THE UNITED KINGDOM.

Imports.				Exports.				
Years.	Merchandise.	Treasure (Gold and Silver).	Total.	Years.	Merchandise.	Treasure (Gold and Silver).	Total.	Foreign Trade Profits.	Per Cent.
	£	£	£		£	£	£	£	
1871	331,015,480	38,140,827	369,156,307	1871	283,574,700	33,760,671	317,335,371	51,820,936	
1872	354,693,624	29,608,012	384,301,636	1872	314,588,834	30,335,861	344,924,695	39,376,941	
1873	371,287,372	33,599,231	404,886,603	1873	311,004,765	25,899,285	339,904,050	64,982,553	
1874	370,062,701	30,379,188	400,461,889	1874	297,650,464	22,853,593	320,504,057	79,957,832	
1875	373,939,577	33,264,789	407,204,366	1875	281,612,323	27,628,042	309,240,365	97,964,001	
1876	375,154,703	37,054,244	412,208,947	1876	256,776,602	29,464,082	286,240,684	125,968,263	
1877	394,419,682	37,152,799	431,572,481	1877	252,346,020	39,798,119	292,144,139	139,428,342	
1878	368,770,742	32,422,955	401,193,697	1878	245,483,858	26,686,546	272,170,404	129,023,293	
	Grand Total		3,210,985,926		Grand Total		2,482,463,765	728,522,161	= 29·34

99. The result of the above table is, that during the eight years the United Kingdom has received as trade profits 29·34 per cent. This result requires the following further consideration. It includes the results of all money-trade or loans to and from foreign countries. Suppose England has lent 100,000,000*l.* to foreign countries; that forms a part of exports. Suppose it has received in interest, say, 5,000,000*l.*; that forms a part of the imports, and unless any portion of the principal of the loan is returned, the whole or balance (if a portion is paid) of the loan remains outstanding, and is so much more to be added to the above figure of trade profits. Again, there is the political profit from India of some 27,000,000*l.* a year (as shown further on). That forms a part of the import, and has to be deducted from the figure of trade profits. England contributes to the expenses of the colonies. This is a part of its exports. Thus the formula will be:—728,522,161*l.* + outstanding balance of loans of the 8 years — the political drain from India to England (216,000,000*l.*) + contributions to the colonies = the actual profits of all commercial and monetary transactions with the world; or, in other words = the actual profits of the foreign trade of the eight years.

100. Now the figure 728.522,161*l.* is 29·34 per cent. The political drain of India forms nearly 9 per cent. out of this. There remains above 20 per cent. + the amounts of balance of loans and contributions to the colonies, as the actual rate of profits of the foreign trade of the United Kingdom.

101. I may fairly adopt this rate, of at least 20 per cent., for the profits of the foreign trade of India; but, to be quite under the mark, I adopt only 15 per cent.

102. Now we may see what actually happens to India, taking the same period of 1871–8.

	£	
The actual Exports (excluding Government Stores and Treasure), Merchandise and Gold and Silver	= 485,186,749	
Take Profits only 15 per cent.	= 72,778,012	
The Imports as they *ought to be* *Actual* Imports (excluding Government Stores and Treasure), Merchandise and Gold and Silver	557,964,761	342,312,799
Deficit in Imports, or what is drained to England (*i.e.*, nearly 27,000,000*l.* a year.)		215,651,962
Again, taking actual Exports		485,186,749
And also actual Imports		342,312,799
Abstraction from the *very produce* of the country (besides the whole profits) is	= 142,875,950	

in eight years, or nearly 18,000,000*l.* a year, or 29·4 per cent.

103. Thus, with all the advantages of good government, law, order, justice, &c., railways and every other influence of a civilised rule, the actual result is that not only does India *not* get a *single farthing* of the 15 or 20 per cent., or whatever it be, of the profits of her foreign trade, but actually has a further amount of nearly 30 per cent. of her exports kept away from her. This is not all. There is, moreover, the halter round her neck of the accumulated railway debt of nearly 100,000,000*l.*, held in England (from which her people have not derived the usual benefits), about 60,000,000*l.* of public debt (out of 134,000,000*l.*—mostly owing to wars) held in England, and 5,000,000*l.* spent in England on account of State public works. And yet Englishmen wonder why India is poor, and her finances inelastic! Good heavens! when will this bleeding to death end?

104. Keeping as much as possible on the right side, we find some 18,000,000*l.* from the production itself swept away from India, besides all her profits, and besides what Europeans enjoy in India itself, to the so much exclusion and deprivation of her own people. But this item of 18,000,000*l.* would be found much under the mark. For instance, all duty-articles imported into India are, I believe, valued at 10 per cent. more than their laying-down value. If so, roughly taken, the customs revenue being 2,500,000*l.*, represents roughly a duty at 5 per cent. on 50,000,000*l.*; and to make up this 50,000,000*l.*, with 10 per cent. extra, requires an addition to the actual value of imports of about 5,000,000*l.* If so, then there will be this much above 18,000,000*l.* taken away from the actual production of India, besides the whole trade profits, maintenance of Europeans in India, debts, &c.

105. The real abstraction from the very *produce* of the country is, most likely, much above 20,000,000*l.* a year, and the whole loss above 30,000,000*l.* a year, besides what is enjoyed in India itself by Europeans.

106. Under such circumstances, it is no wonder at all that famine and finance should become great difficulties, and that finance has been the grave of several reputations, and shall continue to be so till the discovery is made of making two and two equal to five, if the present unnatural treatment of India is to continue.

107. Far, therefore, from there being anything to be added to the annual income of India, as Mr. Danvers thinks, from the "profits of trade," there is the deplorable fact of much to be deducted in the case of India; and the consequences of such abstraction, in impoverishment and destruction by famines, &c., lay mostly at the door of the present unnatural policy of the British Administration. Let our rulers realise this fact intelligently, and face it boldly, in a way worthy of the British moral courage and character, and the whole scene will be entirely changed—from deplorable poverty to prosperity, from the wail of woe to joy and blessing. Our misfortune is that the great statesmen of this country have not the necessary time to see into Indian matters, and things are allowed to drift blindly, or England would never become, as she

unwittingly is at present the destroyer of India. Her conscience is sound.

108. It is natural that in all discussions on finance, curtailment of expenditure and economy are, at first blush, recommended—to cut the coat according to cloth. But, unfortunately, no one asks the question why the cloth is short; why, under such rule as that of the English, India should not do well, if not quite as well as these islands, but should be only able to pay the wretched revenue of some 6*s.* a head, and that even after "wringing out the last farthing."

109. No doubt vigilance for economy will always be a necessity in the best of States (not excepting England, as debates in Parliament testify) as long as the world lasts. But the real question, the most important question of all questions, at present is, not how to get 60,000,000*l.* or 100,000,000*l.*, for the matter of that, if that be necessary, but how *to return to the people* what is raised from them.

110. There is no reason whatever why India, with all her vast resources, the patient industry of the people, and the guidance and supervision of British high officials, should not be able to pay two or three times her present wretched revenue, say 100,000,000*l.* or 150,000,000*l.* for efficient administration by her own people, under British supervision, and for the development of her unbounded material resources. Is it not unsatisfactory, or even humiliating, that British statesmen should have to confess that they have hopelessly to depend for about a sixth of the net revenue on supplying opium to another vast human race; and to ask despairingly what they were to do to get this amount of revenue from India itself? Then again, nearly as much more income has to be raised by an oppressive and heavy tax on salt; so that between a third and a fourth of the net revenue has to be derived —a part by pinching and starving the poor millions of India in one of the absolute necessaries of life, and the other part by poisoning and demoralising the millions of China. Surely, that a great people like the English, with their statesmanship of the highest order, and with all their genuine desire to do good to and advance mankind, should not be able to get the necessary revenues from India, from her own healthy and natural prosperity, is a strange phenomenon in this advanced age.

111. Only restore India to her *natural* economical conditions. If, as in England, the revenue raised from the people *returned to the people*—if the income of railways and other public works taken from the people, returned to the people, to fructify in their pockets, then would there be no need for anxiety for finance or famines, nor for pinching in salt, nor poisoning with opium, millions of the human race. India would then pay with ease 100,000,000*l.* or 200,000,000*l.* of revenue, and would not be the worse for it. It would be far better also, which would then be the case, that India should be able to purchase 1*l.* or 2*l.* worth a head of British manufactures, and become England's best and largest customer, instead of the wretched one she is at present.

112. I repeat, therefore, with every earnestness, that the most important question of the day is, how to stop the bleeding drain from India. The merit or good of every remedy will depend upon and be tested by its efficacy in stopping this deplorable drain, without impairing the wants of the administration, or checking India's natural progress towards prosperity.

113. There is a deep conviction among educated and thoughtful Natives that if there is any one nation more than another on the face of the earth that would on no account knowingly do a wrong to or enslave, degrade, or impoverish a people, and who, on feeling the conviction of any injury having been unintentionally done by them, would at once, and at all reasonable sacrifice, repair the injury without shrinking, that nation is the British nation. This conviction keeps the thinking Natives staunch in their loyalty to the British rule. They know that a real regeneration, civilization, and advancement of India, materially, morally, and politically, depends upon a long continuance of the British rule. The peculiarly happy combination of high civilization, intense love of liberty, and nobility of soul in the British, cannot but lead them to the desire of the glory of raising a vast nation, instead of trampling upon them. This noble desire has found expression from some of their best men.

114. The English people have a task before them in India for which there is no parallel in the history of the world. There has not been a nation who, as conquerors, have, like the English, considered the good of the conquered as a duty, or felt it as their great desire; and the Natives of India may, with the evil of the present drain stopped, and a representative voice in their legislation, hopefully look forward to a future under the British rule which will eclipse their greatest and most glorious days.

115. May the light of Heaven guide our rulers!

DADABHAI NAOROJI.

22, Great St. Helen's, London.
13th September 1880.

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116. India Office, S.W.,
15th October 1880.

SIR,

I AM directed to acknowledge the receipt of your letter of the 13th September, which, together with its enclosure, has been duly laid before the Secretary of State for India.

I am, &c.
LOUIS MALLET.

Mr. Dadabhai Naoroji.

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117. 32, Great St. Helen's, London,
16th November 1880.

SIR,

THANKING you for your letter of the 15th ultimo, informing me that my letter of 13th September, with enclosure, had been duly laid before his Lordship the Secretary of State for India, and hoping that the same kind attention will be given to it as to my previous letter, and that if I am wrong in any of my views I would be corrected, I beg to submit for his Lordship's kind and generous consideration the accompanying Memorandum No. 2, on the "Moral Poverty of India, " and Native Thoughts on the British Indian Policy."

I am, &c.
DADABHAI NAOROJI.

Sir Louis Mallet,
Under Secretary of State for India,
India Office, London, S.W.

MEMORANDUM No. 2.

The Moral Poverty of India and Native Thoughts on the Present British Indian Policy.

16th November 1880.

118. In my last paper I confined myself to meeting Mr. Danvers' line of argument on the question of the material destruction and impoverishment of India by the present British Indian policy. I endeavoured to show that this impoverishment and destruction of India was mainly caused by the unnatural treatment it received at the hands of its British rulers, in the way of subjecting it to a large variety of expenditure upon a crushing foreign agency both in India and England, whereby the children of the country were displaced and deprived of their natural rights and means of subsistence in their own country; that, by what was being taken and consumed in India itself, and by what was being continuously taken away by such agency clean out of the country, an exhaustion of the very life-blood of the country was unceasingly going on; that not till this disastrous drain was duly checked, and not till the people of India were restored to their natural rights in their own country, was there any hope for the material amelioration of India.

119. In this memorandum I desire to submit for the kind and generous consideration of his Lordship the Secretary of State for India, that from the same cause of the deplorable drain, besides the material exhaustion of India, the moral loss to her is no less sad and lamentable.

120. With the material wealth go also the wisdom and experience of the country. Europeans occupy almost all the higher places in every department of Government directly or indirectly under its control. While *in* India, they acquire India's money, experience, and wisdom; and when they go, they carry both away with them, leaving India so much poorer in material and moral wealth. Thus India is left without, and cannot have, those elders in wisdom and experience who in every country are the natural guides of the rising generations in their national and social conduct, and of the destinies of their country; and a sad, sad loss this is!

121. Every European is isolated from the people around him. He is not their mental, moral, or social leader or companion. For any mental or moral influence or guidance or sympathy with the people, he might just as well be living in the moon. The people know not him, and he knows not, nor cares for, the people. Some honourable exceptions do, now and then, make an effort to do some good they can, but in the very nature of things these efforts are always feeble, exotic, and of little permanent effect. These men are not always in the place, and their works die away when they go.

122. The Europeans are not the natural leaders of the people. They do not belong to the people; they cannot enter their thoughts and feelings; they cannot join or sympathise with their joys or griefs. On the contrary, every day the estrangement is increasing. Europeans deliberately and openly widen it more and more. There may be very few social institutions started by Europeans in which Natives, however fit and desirous to join, are not deliberately and insultingly excluded. The Europeans are, and make themselves, strangers in every way. All they effectually do is to eat the substance of India, material and moral, while living there, and when they go, they carry away all they have acquired, and their pensions and future usefulness besides.

123. This most deplorable moral loss to India needs most serious consideration, as much in its political as in its national aspect. Nationally disastrous as it is, it carries politically with it its own Nemesis. Without the guidance of elderly wisdom and experience of their own natural leaders, the education which the rising generations are now receiving is naturally leading them (or call it misleading them if you will) into directions which bode no good to the rulers, and which, instead of being the strength of the rulers, as it ought to be and can be, will turn out to be their great weakness. The fault will be of the rulers themselves for such a result. The power that is now being raised by the spread of education, though yet slow and small, is one that in time must, for weal or woe, exercise great influence; in fact, it has already begun to do so. However strangely the English rulers, forgetting their English manliness and moral courage, may, like the ostrich, shut their eyes, by gagging, acts or otherwise, to the good or bad influences they are raising around them, this good or evil is rising nevertheless. The thousands that are being sent out by the universities every year find themselves in a most anomalous position. There is no place for them in their mother-land. They may beg in the streets or break stones on the roads, for aught the rulers seem to care for their natural rights, position, and duties in their own country. They may perish or do what they like or can, but scores of Europeans must go from this country to take up what belongs to them, and that in spite of every profession for years and years past and up to the present day, of English statesmen, that they must govern India for India's good, by solemn Acts and declarations of Parliament, and, above all, by the words of the august Sovereign herself. For all practical purposes, all these high promises have been hitherto, almost wholly, the purest romance, the reality being quite different.

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124. The whole duty and responsibility of bringing about this desired consummation lies upon the head and in the hands of the Indian authorities *in England*. It is no use screening themselves behind the fiction and excuse, that the Viceroys and authorities in India are difficult to be got to do what they ought, or that they would do all that may be necessary. They neither can nor will do this. They cannot go against Acts of Parliament on the one hand, and, on the other, the pressure of European interests, and of European selfishness and guidance, is so heavy in India, that the Viceroys in their first years are quite helpless, and get committed to certain courses; and if, in time, any of them, happening to have sufficient strength of character and confidence in their own judgment, are likely to take matters in their own hands, and, with any moral courage, to resist interests hostile or antagonistic to the good of the people, the end of their time begins to come near, their zeal and interest begin to flag, and soon they go away, leaving India to roll up Sisyphus's stone again, with a new Viceroy. It is the highest Indian authority here, the Secretary of State for India, upon whom the responsibility wholly rests. He alone has the power, as a member of and with the weight of the British Cabinet, to guide the Parliament to acts worthy of the English character, conscience, and nation. The glory or disgrace of the British in India is in his hands. He has to make Parliament lay down, by clear legislation, how India *shall* be governed for "*India's good.*" or it is hopeless for us to look forward for any relief from our present material and moral destruction, and for future elevation.

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125. In my last paper I said the thinking Natives were as yet staunch in their loyalty to the British rule, as they were yet fully hopeful of the future from the general character and history of the English people. They believe that when the conscience of the English nation is awakened, it will not be long before India receives full and thorough redress for all she has been suffering. While thus hopeful of the future, it is desirable that our rulers should know and consider what, as to the past, is passing in many a thinking Native mind.

126. They are as grateful as any people can be for whatever real good of peace and order and education has been done for them; but they also ask what good, upon the whole, England has done to India. It is sadly poor, and increasing in poverty, both material and moral. They consider and bewail the unnatural treatment India has been receiving.

127. They dwell upon the strange contrast between the words and deeds of the English rulers; how often deliberate and solemn promises are made and broken. I need not here instance again what I have at some length shown in my papers on the Poverty of India* under the heading of "Non-Fulfilment of Solemn "Promises."†

128. I would refer here to one or two characteristic instances only. The conception for an Engineering College in London was no sooner formed than it became an accomplished fact; and Mr. Grant Duff, then Under-Secretary of State, in his place in Parliament, proclaimed what great boons "we" were conferring on the English people, but quite oblivious at whose sacrifices. It was an English interest, and the thing was done as quick as it was thought of. On the other hand, a clause for Native interests, proposed in 1867, took three years to pass, and in such a form as to be simply ineffectual. I asked Sir Stafford Northcote, at the time of the proposal, to make it some way imperative, but without effect. Again, after being passed after three years, it remained a dead letter for seven years more, and might have remained so till Doomsday for aught any of the Indian authorities cared. But, thanks to the persevering exertions of one of England's true sons, Sir Erskine Perry, some steps were at last taken to frame the rules that were required, and it is now, in the midst of a great deal of fine writing, making some, though very slow, progress. For such, even as it is, we are thankful; but greater efforts are necessary to stem the torrent of the drain. Turning to the Uncovenanted Service, Sir Stafford Northcote's despatch of 8th February, 1868, declared that Europeans should not be allowed in this service to override "the inherent "rights of the Natives of the country." Now, in what spirit was this despatch treated till very lately? Was it not simply, or is it not even now, almost a dead letter?

129. In the matter of the load of the public debt of India, it is mainly due to the wars of the English conquests in India, and English wars abroad in the name of India. Not a farthing has been spent by England for its British Indian Empire. The burden of all England's wars in Asia has been thrown on India's shoulders. In the Abyssinian War, India narrowly and lightly escaped; and in the present Afghan War, her escape from whatever portion she may be saved is not less narrow. Though such is the character of nearly the whole of the public debt (excluding for public works), being caused by the actions by which England has become the mistress of a great Empire, and thereby the first nation in the world, she would not move her little finger to give India any such help as is within her power, without even any material sacrifice to herself—viz., that of guaranteeing this public debt, so that India may derive some little relief from reduced interest.

* *Journal of the East India Association*, Vol. IX., pages 375 to 405.

† The Duke of Argyll, as Secretary of State for India, said in his speech of 11th March, 1869, with regard to the employment of Natives in the Covenanted Service: "I must say that we have not fulfilled our "duty, or the promises and engagements which we have made."

130. When English interests are concerned, their accomplishment is often a foregone conclusion. But India's interests always require long and anxious thought—thought that seldom begins, and when it does begin, seldom ends in any thorough good result. It is useless to conceal that the old pure and simple faith in the honour and word of the English rulers is much shaken, and were it not for the faith in the conscience of the statesmen and people in *this* country, any hope of good by an alteration of the present British Indian policy would be given up.

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131. In the case of former foreign conquests, the invaders either retired with their plunder and booty, or became the rulers of the country. When they only plundered and went back, they made, no doubt, great wounds: but India, with her industry revived and healed the wounds. When the invaders became the rulers of the country, they settled down *in* it, and whatever was the condition of their rule, according to the character of the sovereign of the day, there was at least no material or moral drain in the country.* Whatever the country produced remained in the country; whatever wisdom and experience was acquired in her services remained among her own people. With the English the case is peculiar. There are the great wounds of the first wars in the burden of the public debt, and those wounds are kept perpetually open and widening, by draining away the life-blood in a continuous stream. The former rulers were like butchers hacking here and there, but the English with their scientific scalpel cut to the very heart, and yet, lo! there is no wound to be seen, and soon the plaster of the high talk of civilisation, progress, and what not, covers up the wound! The English rulers stand sentinel at the front door of India, challenging the whole world, that they do and shall protect India against all comers, and themselves carry away by a back-door the very treasure they stand sentinel to protect.

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132. No doubt the exertions of individual Europeans at the time of famines may be worthy of admiration; the efforts of Government and the aid of the contributions of the British people to save life, deserve every gratitude. But how strange it is that the British rulers do not see that, after all, they themselves are the main cause of the destruction that ensues from droughts; that is the drain of India's wealth by *them* that lays at their own door the dreadful results of misery, starvation, and deaths of millions! England does not know famines, be the harvest however bad or scanty. She has the means of buying her food from the whole world. India is being unceasingly deprived of these means, and when famine comes, the starving have to be taxed so much more to save the dying.

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133. Of all countries in the world, if anyone has the greatest claim on England's consideration, to receive the boons of a constitutional representative government at her hands, and to have her people governed as England governs her own, that country is India, her most sacred trust and charge. But England, though she does everything she can for other countries, fights shy of, and makes some excuse or other to avoid, giving to the people of India their fair share in the legislation of their country. Now I do not mean to say that India can suddenly have a full-blown Parliament, and of such wide-spread representation as England enjoys. But has England made any honest efforts to gradually introduce a true representation of the people, excepting some solitary exceptions of partial municipal representation? I need not dwell upon the present farce of the nomination system for the Legislative Councils, and of the dummies that are sometimes nominated. I submit that a small beginning can be well made now. I would take the Bombay Presidency as an instance. Suppose the present Legislative Council is extended to twenty-one members, thirteen of these to be nominated from officials and non-officials by the Government, and eight to be elected by the principal towns of the Presidency. This will give Government a clear majority of five, and the representative element, the minority, cannot do any harm, or hamper Government; in England, the majority determines the Government. In India this cannot be the case at present, and so the majority must follow the Government. It would be, when something is extremely outrageous, that the minority would, by force of argument and truth, draw towards it the Government majority; and even in any such rare instance, all that will happen will be that Government will be prevented from doing any such outrageous things. In short, in such an arrangement, Government will remain all-powerful, as it must for a long time to come; while there will be also independent persons, actually representing the people, to speak the sentiments of the people; thereby giving Government the most important help, and relieving them from much responsibility, anxiety, and mistakes. The representative element in the minority will be gradually trained in constitutional government. They will have no inducement to run wild with prospects of power; they will have to maintain the reasons of their existence, and will, therefore, be actuated by caution and good sense. They can do no harm, but a vast amount of good, both to the Government and the governed. The people will have the satisfaction that their rulers were doing their duty, and endeavouring to raise them to their own civilization.

134. There are in the Bombay Presidency the following towns of more than 50,000 population. Bombay having by far the largest, and with its importance as the capital of the Presidency, may be properly allowed three representatives.

The towns are—

*Bombay.	Poona.	Ahmedabad.	Surat.	Kurrachi.	Sholapore.
644,405	118,886	116,873	107,149	53,536	53,403

135. Thus, Bombay having three, the Gujerati division of the Presidency will be represented by Ahmedabad and Surat, the Maratha portion by Poona and Sholapore, and Sind by Kurrachi, making altogether eight members, which will be a fair, though a small, representation to begin with. Government may with advantage adopt a larger number; all I desire and insist is, that there must be a fair *representative* element in the Councils. As to the qualifications of electors and candidates for election, Government is quite competent to fix upon some, as they did in the case of the Bombay Corporation, and such qualifications may from time to time be modified as experience may suggest. With this modification in the present Legislative Council, a great step will have been taken towards one of the greatest boons which India asks and expects at England's hands. Without some such element of the people's voice in all the Legislative Councils, it is impossible for Englishmen, more and more estranged and isolated as they are becoming, to be able to legislate for India in the true spirit and feeling of her wants.

136. After having a glorious history of heroic struggles for constitutional government, England is now rearing up a body of Englishmen in India, trained up and accustomed to despotism, with all the feelings of impatience, pride, and high-handedness of the despot becoming gradually ingrained in them, and with the additional training of the dissimulation of constitutionalism. Is it possible that such habits and training of despotism, with which Indian officials return from India, should not, in the course of time, influence the English character and institutions? The English in India, instead of raising India, are hitherto themselves descending and degenerating to the lower level of Asiatic despotism. Is this a Nemesis that will in fulness of time show to them what fruit their conduct in India produced? It is extraordinary how nature may revenge itself for the present unnatural course of England in India, if England, not yet much tainted by this demoralization, does not, in good time, check this new leaven that is gradually fermenting among her people.

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* Sir Stafford Northcote, in his speech in Parliament on 24th May 1867, said:—"Nothing could be more wonderful than our Empire in "India but we ought to consider on what conditions we held it, and "how our predecessors held it. The greatness of the Mogul Empire "depended upon the liberal policy that was pursued by men like "Akbar availing themselves of Hindu talent and assistance, and "identifying themselves as far as possible with the people of the "country. He thought that they ought to take a lesson from such a "circumstance, and if they were to do their duty towards India, they "could only discharge that duty by obtaining the assistance and "counsel of all who were great and good in that country. It would "be absurd in them to say that there was not a large fund of states-"manship and ability in the Indian character."—*Times*, of 25th May 1867.

* "Statistical Abstract of British India, 1879," page 21.

137. There is the stock argument of over-population. They talk, and so far truly, of the increase by British peace, but they quite forget the destruction by the British drain. They talk of the pitiless operations of economic laws, but somehow they forget that there is no such thing in India as the natural operation of economic laws. It is not the pitiless operations of economic laws, but it is the thoughtless and pitiless action of the British policy; it is the pitiless eating of India's substance in India, and the further pitiless drain to England; in short, it is the pitiless *perversion* of economic laws by the sad bleeding to which India is subjected, that is destroying India. Why blame poor Nature, when the fault lies at your own door? Let natural and economic laws have their full and fair play, and India will become another England, with manifold greater benefit to England herself than at present.

138. As long as the English do not allow the country to produce what it can produce, as long as the people are not allowed to enjoy what they can produce, as long as the English are the very party on their trial, they have no right, and are not competent, to give an opinion whether the country is over-populated or not. In fact, it is absurd to talk of over-population—*i.e.*, the country's incapability, by its food or other produce, to supply the means of support to its people—if the country is unceasingly and forcibly deprived of its means or capital. Let the country keep what it produces, for only then can any right judgment be formed whether it is over-populated or not. Let England first hold hands off India's wealth, and then there will be disinterestedness in, and respect for, her judgment. The present cant of the excuse of over-population is adding a distressful insult to agonising injury. To talk of over-population at present is just as reasonable as to cut off a man's hands, and then to taunt him that he was not able to maintain himself or move his hands.

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139. It is useless for the British to compare themselves with the past Native rulers. If the British do not show themselves to be vastly superior in proportion to their superior enlightenment and civilisation, if India does not prosper and progress under them far more largely, there will be no justification for their existence in India. The thoughtless past drain we may consider as our misfortune, but a similar future will, in plain English, be deliberate plunder and destruction.

140. I do not repeat here several other views which I have already expressed in my last memorandum.

* * * *

141. By all means, let Englishmen be proud of the past. We accord them every credit for the order and law they brought about, and are deeply thankful to them; but let them now face the present, let them clearly realise, and manfully acknowledge, the many shortcomings of omission and commission by which, with the best of intentions, they have reduced India to material and moral wretchedness; and let them, in a way worthy of their name and history, repair the injury they have inflicted. It is fully in their power to make their rule a blessing to India, and a benefit and a glory to England, by allowing India her own administration, under their superior controlling and guiding hand; or, in their own oft-repeated professions and words, "by governing India for India's good."

142. May the God of all nations lead the English to a right sense of their duty to India is my humble and earnest prayer.

DADABHAI NAOROJI.

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143. 32, Great St. Helens, London,
SIR, 4th January, 1881.

I BEG to request you to submit the accompanying memorandum, No. 3, on some of the statements in the "Report of the Indian Famine Commission, 1880," to his Lordship the Secretary of State for India, and I hope his Lordship will give his kind and generous consideration to it.

I am, &c.
DADABHAI NAOROJI.

Sir Louis Mallet,
the Under-Secretary of State for India,
India Office, London, S.W.

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APPENDIX C.

Statistics required by the Act of 1858 but not supplied by the Government of India—Trade and Population, &c. Statistics.

National Liberal Club,
London, S.W.,
9th January 1896.

DEAR LORD WELBY,

1. I NOW submit to the Commission a further representation upon the most important test of the present "administration and management of expenditure," viz., its results.

2. Kindly oblige me by laying it before the Commission at the next meeting. I shall send a copy of it to every member of the Commission. As the reference to the Commission embraces a number of most vital questions—vital both to England and India—I am obliged to submit my representation in parts. When I have finished I shall be willing, if the Commission think it necessary, to appear as a witness to be cross-examined upon my representations. If the Commission think that I should be examined on each of my representations separately, I shall be willing to be so examined.

3. In the Act of 1858 (sec. liii), Parliament provided that among other information for its guidance, the Indian authorities should lay before it every year "a "statement prepared from detailed reports from each "presidency and district in India, in such form as "shall best exhibit the moral and material progress "and condition of India in each such presidency." Thereupon such reports were ordered by the Government of India to be prepared by the Government of each presidency.

4. As a beginning, the reports were naturally imperfect in details. In 1862 the Government of India observed: "There is a mass of statistics in the administration reports of the various local governments . . . . but they are not compiled on any "uniform plan . . . . so as to show the statistics "of the Empire (Fin. Con., June 1862)." The Statistical Committee, which the Government of India had organised for the purpose, prepared certain forms of tables, and, after receiving reports on those forms from the different governments made a report to the Government of India, with revised forms of tables (Office Memorandum, Financial Department, No. 1,043, dated 28th February 1866). The members of this Committee were Mr. A. Grote, president, and Messrs. G. Campbell, D. Cowie, and G. Smith.

5. I confine myself in this statement to the tables concerning only the material condition of India or what are called "production and distribution."

The following are the tables prescribed:—

PRODUCTION AND DISTRIBUTION.

FORM D.—AGRICULTURE.

Under a former section provision is made for information regarding soils so far as nature is concerned, and we have now to do with what the soil produces, and with all that is necessary to till the soil, all of which is embraced under the heads—Crop, Stock, Rent, and Production.

CROPS CULTIVATED IN ACRES, ACTUAL OR APPROXIMATE.—1.

Name of District.	Rice.	Wheat.	Other Food Grains.	Oil Seeds.	Sugar.	Cotton.	Opium.	Indigo.	Fibres.	Tobacco.	Tea.	Coffee.	Vegetables, &c.
Total													

STOCK.—2.

District.	Cows and Buffaloes.	Horses.	Ponies.	Donkeys.	Sheep and Goats.	Pigs.	Carts.	Ploughs.	Boats.
Total									

RATES OF RENT AND PRODUCE.—3.

Average Rent per Acre for Land suited for

District.	Rice.	Wheat.	Inferior Grains.	Indigo.	Cotton.	Opium.	Oil Seeds.	Fibres.	Sugar.	Tobacco.
General Average										

Average produce of Land per Acre in lbs.

District.	Rice.	Wheat.	Inferior Food Grains.	Indigo.	Cotton.	Opium.	Oil Seeds.	Fibres.	Sugar.	Tobacco.	Tea.	Coffee, &c., &c.
General Average												

FORM E.

Price of Produce and Labour at the end of the Year.

PRODUCE.—1.

Price of Produce per maund of 80 lbs.

District.	Rice.	Wheat.	Linseed.	Jute.	Cotton.	Sugar.	Salt.	&c., &c.
General Average								

Prices—*continued.*				LABOUR.—2.						
				Wages per diem						
Plough Bullocks each.	Sheep each.	Fish per seer.	Iron per maund &c., &c.	District.	Skilled.	Unskilled.	Cart per day.	Camel per day.	Donkeys per score per day.	Boat per ditto.
General Average										

NOTE.—The general character of the staple of the district should be stated as "Cotton, Indigenous," "Cotton, New Orleans," "Sugar, Raw," "Sugar, Refined," "Salt, Rock," "Salt, Samber Lake," and so on.

FORM F.

MINES AND QUARRIES.

Where Situated.	Mineral produced.	Number of Mines.	Annual Produce.	Remarks.

FORM G.—MANUFACTURES.

	CLASS OF MANUFACTURES.								
	Silk.	Cotton.	Wool.	Other Fibres.	Paper.	Wood.	Iron.	Brass and Copper.	Building, &c., &c.
Number of mills and manufactories									
Private looms or small works									
Number of workmen in large works { Male / Female }									
Number of workmen in small works or independent artizans									
Number of European superintendents in large works									
Value of block in ditto									
Estimated annual outturn of all works									
Total									

6. It will be seen from these tables that they are sufficient for calculating the total "production" of any province, with such additions for sundry other produce as may be necessary, with sufficient approximacy to accuracy, to supply the information which Parliament wants to know about the progress or deterioration of the material condition of India.

7. Sir David Barbour said, in reply to question put by Sir James Peile:

"2283. It does not by any means follow that people are starving because they are poor?—Not in the least. You must recollect that the cost of the necessaries of life is very much less in India than it is in England."

8. Now the question is, whether, even with this "very much less cost" of the necessaries and wants of life, these necessaries and wants of life, even to an absolute amount, few as they are, are supplied by "the "production of the year." Sir D. Barbour and others that speak on this point have not given any proof that even these cheap and few wants are supplied, with also a fair reserve for bad seasons. It is inexplicable why the Statistical Committee failed to prescribe the tables for the necessary consumption—or, as the heading of Form D, called "Distribution"—if they really meant to give Parliament such full information as to enable it to judge whether "the mass of the people," as Lord Lawrence said, "lived on scanty subsistence" or not. The Statistical Committee has thus missed to ask this other necessary information, viz., the wants of a common labourer to keep himself and his family in ordinary healthy, working condition—in food, clothing, shelter, and other necessary ordinary social wants. It is by the comparisou of what is *produced* and what is *needed* by the people even for the absolute necessaries of life (leave alone any luxuries) that anything like a fair idea of the condition of the people can be formed. In my first letter to the Secretary of State for India, of 24th May 1880, I have worked out as an illustration all the necessary tables both for "production" and "distribution," *i.e.*, absolute necessaries of life of a common labourer in Punjab.

9. If the demands of Parliament are to be loyally supplied, there is no reason whatever why the information required is not fully furnished by every province. They have all the necessary materials for these tables, and they can easily supply the tables both for "production" and "distribution" or necessary consumption, at the prices of the year of all necessary wants. Then the Statistical Department ought to work up the average per head per annum for the whole of India of both "production" and "distribution." Unless such information is supplied, it is idle and useless to endeavour to persuade the Commission that the material condition of the people of British India is improving. It was said in the letter of the Secretary of State for India to me of 9th August 1880, that in Bengal means did not exist of supplying the information I desired. Now that may have been the case in 1880, but it is not so now; and I cannot understand why the Bengal Government does not give the tables of production at all in its Administration Report. The only table, and that the most important one, for which it was said they had not the means, and which, though not given in the Administration Report, is given in detail in the "Statistical Abstract of British India for 1893-94" (Parl. Ret. [C. 7,887] 1895), pp. 141-2.

No. 73.—CROPS UNDER CULTIVATION IN 1893-94 (p. 141).

Administration—Bengal.

ACRES.

Rice.	Wheat.	Other Food Grains (including Pulses).	Other Food Crops.	Sugar Cane.	Coffee.
38,200,300	1,620,200	11,636,000	3,130,900	1,083,400	—

ACRES—*continued.*

Tea.	Cotton.	Jute.	Other Fibres.	Oil Seeds.	Indigo.
110,800	201,280	2,228,200	207,100	3,253,000	614,200

ACRES—*continued.*

Tobacco.	Cinchona.	Miscellaneous.	Total Area under Crops.	Deduct Area Cropped more than once.	Actual Area on which Crops were Grown.
730,500	2,900	424,900	64,444,200	10,456,900	53,987,300

10. Then, at page 142, there is also given total area under crops—of area under irrigation—64,444,200 acres. Certainly, if they can know the total area, they can ascertain the average of some of the principal crops. Then, as to the crops per acre of some of the principal produce, they can have no difficulty in ascertaining, and the prices are all regularly published of principal articles of food. There can be no difficulty in obtaining the prices of all principal produce. The whole matter is too important to be so lightly treated. The extreme importance of this information can be seen from the fact that Parliament has demanded it by an Act, and that Sir Henry Fowler himself made a special and earnest challenge about the condition of the people. He said in his speech on 15th August 1894, when he promised the Select Committee:

"The question I wish to consider is whether that Government, with all its machinery as now existing in India, has, or has not promoted the general prosperity of the people in its charge; and whether India is

better or worse off by being a province of the British Crown."

And this is the question to which an answer has to be given by this Commission—whether the present administration and management of the military and civil expenditure incurred in both countries, "has or has not," as one of its results, "promoted the general prosperity of the people" of British India. Or is, or is not, the result of this administration and management of expenditure "scanty subsistence" for the mass of the people as admitted by Lord Lawrence, and "extreme poverty" as stated by Lord Cromer, Sir Auckland Colvin, and Sir David Barbour among the latest finance ministers. A poverty compared with which even the most oppressed and misgoverned Russia is prosperity itself, the income of which is given by Mulhall as above 9*l.* per head per annum, when Lord Cromer gives the income of British India as "not more than Rs. 27 per head per annum," and I calculate it as not more than Rs. 20 per head per annum. Even this wretched income, insufficient as it is, is not all enjoyed by the people, but a portion never returns to them, thereby continuously though gradually diminishing their individual capacity for production. Surely there cannot be a more important issue before the Commission as to the results of the administration and management of expenditure, as much or even more for the sake of Britain itself than for that of India.

11. Before proceeding further on the subject of these statistics it is important to consider the matter of the few wants of the Indian in an important aspect. Is the few wants a reason that the people should not prosper, should not have better human wants and better human enjoyments? Is that a reason that they ought not to produce as much wealth as the British are producing here? Once the Britons were wandering in the forests of this country, and their wants were few; had they remained so for ever what would Britain have been to-day? Has not British wealth grown a hundred times, as Macaulay has said? And is it not a great condemnation of the present British administration of Indian expenditure, that the people of India cannot make any wealth; worse than that, they must die off by millions, and be underfed by scores of millions, produce a wretched produce, and of that even somebody else must deprive them of a portion.

12. The British first take away their means, incapacitate them from producing more, compel them to reduce their wants to the wretched means that are left to them, and then turn round upon them, and, adding insult to injury, tell them, "See, you have "few wants; you must remain poor and of few "wants. Have your pound of rice, or, more gene- "rously, we would allow you two pounds of rice— "scanty clothing and shelter. It is we who must "have and would have great human wants and "human enjoyments, and you must drudge for "us." Is it that the mass of the Indians have no right or business to have any advancement in civilisation, in life and life's enjoyments, physical, moral, mental and social? Must they always live to the brute's level—must have no social expenses—is that all extravagance, stupidity, want of intelligence, and what not? I do hope, as I do believe, that both the conscience and the aspiration of the British people, their mission and charge, which it is often said Providence has placed in their hands, are to *raise* the Indians to their own level of civilisation and prosperity, and not to degrade themselves to the lowness of Oriental despotism and the Indians to mere helots.

13. I may here again point out some defects in these statistics so as to make them as accurate as they can possibly be made, in supplying the Commission with the necessary information. It is surprising that Indian highly-paid civilians should not understand the simple arithmetic of averages; and that they should not correct the mistake even after the Secretary of State for India forwarded my letter pointing out the mistake.

14. The mistake is this. Supposing the price of rice in one district is R. 1 per maund, and in another district Rs. 3 per maund, then the average is taken by simply adding 3 and 1 and dividing by 2, making it to be Rs. 2 per maund, forgetting altogether to take into account the quantities sold at Rs. 3 and R. 1 respectively. Supposing the quantity sold at R. 1 per maund is 1,000,000 maunds and that sold at Rs. 3 is only 50,000 maunds, then the correct average will be:

	Maunds.	Rs.	Rs.
	1,000,000	× 1 =	1,000,000
	50,000	× 3 =	150,000
Total	1,050,000		1,150,000

which will give Rs. 1 1 an. 6 pies per maund, instead of the incorrect Rs. 2 per maund, as is made out by simply adding 1 and 3 and dividing by 2.

15. In my "Poverty of India" I have given an actual illustration (p. 3). The average price of rice in the Administration Report of the Central Provinces for 1867-68 was made out to be, by the wrong method, Rs. 2. 12 an. 7 pies. while the correct price was only Rs. 1. 8 an. Also the correct average of produce was actually 759 lbs. per acre, when it was incorrectly made out to be 579 lbs. per acre. Certainly there is no excuse for such arithmetical mistakes, for information required by Parliament for the most important purpose of ascertaining the result of the British Administration of the expenditure of a vast country.

16. In the same way averages are taken of wages without considering how many earn the different wages of 1½, 2, 3 or more annas per day, and for how many days in the year.

17. In the Irish Commission you yourself and the Chairman have noticed this fallacy.

Witness: Dr. T. W. GRIMSHAW.

Q. 2925. (*Lord Welby.*) Do you take a mean price?—I take a mean price between highest and lowest.

Q. 2926. (*Chairman.*) An arithmetical mean price without reference to the quantities?—Yes.

Q. 2927. (*Lord Welby*) For instance, supposing for nine months there bad been a low price, and the remaining three a high price, the mean would hardly represent a real mean, would it?—You are correct in a certain sense. . . .

18. *Trade.*—Totals are taken of both imports and exports together, and any increase in these totals is pointed out as proof of a flourishing trade and increasing benefit, when in reality it is no such thing, but quite the reverse altogether. I shall explain what I mean.

19. Suppose a merchant sends out goods to a foreign country, which has cost him 1,000*l.* He naturally expects to get back the 1,000*l.* and some profit, say 15 per cent., *i.e.*, he expects to receive back 1,150*l.* This will be all right; and suppose he sends out more, say 2,000*l.* worth the next year and gets backs his 2,300*l.*, then it is really an increasing and profitable trade. But suppose a merchant sent out goods worth 1,000*l.* and gets back 800*l.* instead of 1,150*l.* or anything above 1,000*l.*; and again the second year he sent 2,000*l.* worth and got back 1,600*l.* To say that such a trade is a flourishing or profitable trade is simply absurd. To say that because the total of the exports and imports of the first year was 1,800*l.*, and the total of the exports and imports in the second year was 3,600*l.*, that therefore it was a cause for rejoicing, when in reality it is simply a straight way to bankruptcy with a loss of 200*l.* the first year, and 400*l.* the second year (leaving alone profits), and so on. Such is the condition of British India. Instead of getting back its exports with some profit, it does not get back even equal to the exports themselves, but a great less every year. Why then, it may be asked, does India not go into bankruptcy as any merchant would inevitably go? And the reason is very simple. The ordinary merchant has no power to put his hand in other person's pockets, and make up his losses. But the absolute Government of India, on the one hand, goes on inflicting on India unceasing losses and drain by its unnatural administration and management of expenditure, and, on the other hand, has the power of putting its hands unhindered into the pockets of the poor taxpayer and make its account square.

20. While the real and principal cause of the sufferings and poverty of India is the deprivation and drain of its resources by foreigners by the present system of expenditure, the Anglo-Indians generally, instead of manfully looking this evil in the face, ignore it and endeavour to find all sorts of other excuses. It is very necessary that the Commission should have the opportunity of fairly considering those excuses. Now,

one way I can deal with them would be for myself to lay them down as I understand them; or, which is far better, I should deal with them as they are actually put forth by some high Anglo-Indian official. As I am in a position to do so, I adopt the second course. A high official of the position of an Under Secretary of State for India and Governor of Madras, Sir Grant Duff, has already focused all the official reasons in two papers he contributed to the "Contemporary Review," and I have answered them in the same "Review" in 1887. I cannot therefore do better than to embody my reply here, omitting from it all personal remaks or others irrelevant to the present purpose. In connexion with my reply, I may explain here that it is because I have taken in it 1*l.* = Rs. 10 that the incidence of taxation is set down as 6*s.* per head per annum, while Sir H. Fowler's estimate is only 2*s.* 6*d.* per head at the present depressed exchange, and excluding land revenue. Sir H. Fowler excludes land revenue from the incidence as if land revenue, by being called "rent," rained from heaven, and was not raised as much from the production of the country as any other part of the revenue. The fact of the matter is that in British India, as in every other country, a certain portion of the production of the country is taken by the State, under a variety of names—land tax or rent, salt, revenue, excise, opium, stamps, customs, assessed taxes, post office surplus, law and justice surplus, &c., &c. In some shape or other so much is taken from the production, and which forms the source of taxation. The evil which India suffers from is not in what is raised or taken from the "production," and what India, under natural administration, would be able to give two or three times over, but it is in the manner in which that revenue is spent under the present unnatural administration and management of expenditure whereby there is an unceasing "drain" of the country.

21. My reply to Sir Grant Duff was made in 1887. This brings some of the figures to a later date than my correspondence with the Secretary of State for India. Single-handed, I have not the time to work out figures to date, but I shall add afterwards some figures which I have already worked out for later than 1887. I published in the Contemporary Review of August and November 1897 my reply to Sir Grant Duff as I have already indicated above.

22. All the subjects treated in it are the direct consequences of the present system of "the administration and management of expenditure in both "countries."

23. I give below some of the latest figures, I already have, to compare the results of the administration of expenditure in India, with those of other parts of the British Empire.

TEN YEARS (1883–92).

Countries.	Imports, including Gold and Silver.	Exports, including Gold and Silver.	Excess of Imports over Exports.	Percentage of Trade Profits.
	£	£	£	
United Kingdom - (Parl. Ret. [C. 7,143], 1893.)	4,247,954,247	3,203,603,246	1,044,351,001	32
Australasia - -	643,462,379	582,264,839	61,197,540	10·5*
North American Colonies.	254,963,473	205,063,294	49,900,179	24·4
Straits Settlements -	204,613,643	181,781,667	22,831,976	12·5
(Parl. Ret. [C. 7,144], 1893.)				

24. *Cape of Good Hope and Natal.*—I cannot give figures, as the gold brought into the colonies from Transvaal is not included in the imports; while exports include gold and silver.

* Australasia is a large gold and silver exporting country. Profits on this is a very small percentage. The profits on other produce or merchandise will be larger than 10·5 per cent., and it should also be borne in mind that Australasia, like India, is a borrowing country, and a portion of its exports, like that of India, goes for the payment of interest on foreign loans. Still, it not only pays all that interest from the profits of trade, but secures for itself also a balance of 10·5 per cent. profits, while India must not only lose all ite profits of trade but also Rx. 170,000,000 of its own produce, Were India not drained politically, she would also be in a similar condition of paying for its loans and securing something for itself out of the trade profits.

25. *Natal.*—In this also goods in transit are not included in imports, although included in exports.

26. *British India.*—Far from any excess of imports or trade profits, there is, as will be seen further on, actually a large deficit in imports (Rx. 774,099,570) from the actual exports (Rx. 944,279,318). Deficit from its own produce (Rx. 170,179,748)—18 per cent.

INDIA.

27. Particulars of the Trade of India and the losses of the Indian people of British India; or, The Drain.

TEN YEARS (1883–92). (Return [C. 7,193], 1893.)

India's Total Exports, including Treasure.

Rx. 944,279,318
Rx. 188,855,863 Add, as in other countries, say, 20 per cent. excess of imports or profits (United Kingdom is 32 per cent.)
Rx. 1,133,135,181 or the amount which the imports should be. But
Rx. 774,099,570 only are the actual imports.

Rx 359,035,611 is the loss of India for which it has not received back a single farthing either in merchandise or treasure.

28. Now, the question is, what has become of this Rx. 359,000,000 which India *ought* to have received but has not received.

29. This amount includes the payment of interest on railway and other public works loans.

30. Owing to our impoverishment, our utter helplessness, without any voice in the administration of our expenditure, our inability to make any capital, and, therefore, forced to submit to be exploited by foreign capital, every farthing of the above amount is a loss and a drain to British India. We have no choice; the whole position is compulsory upon us. It is no simple matter of business to us. It is all simply the result of the despotic administration of expenditure of our resources.

31. Still, however, let us consider these loans as a matter of business, and see what deduction we should make from the above amount.

32. The loans for public works during the 10 years (p. 298) are:—Rx. 34,350,000 (this is taken as Rs. 10 = 1*l.*, p. 130), or 34,350,000*l.* This amount is received by India, and forms a part of its imports.

33. The interest paid during the 10 years in England is 57,700,000*l.* This amount, being paid by India, forms a part of its exports. The account, then, will stand thus:—

34. India received or imported as loans 34,350,000*l.* in the 10 years. India paid or exported as interest 57,700,000*l.*, leaving an excess of exports as a business balance 23,350,000*l.* or, say, at average 1*s.* 4*d.* per rupee, Rx. 37,360,000.

35. This export made by India in settlement of public works loans interest account may be deducted from the above unaccounted amount of Rx. 359,000,000, leaving a balance of Rx. 321,640,000 still unreceived by India.

36. The next item to be considered is public debt (other than for public works). This debt is not a business debt in any possible way. It is simply the political burden put upon India by force for the very acquisition and maintenance of the British rule. It is entirely owing to the evil administration of expenditure in putting every burden on India. Make an allowance for even this forced tribute.

37. The public debt of India (excluding public works) incurred during the 10 years is 16,000,000 (p. 298), of which, say, 8,000,000*l.* has interest to be paid in London. (I do not know how much is raised in India and how much in England. I think I asked the India Office for this, but it is difficult to get definite information

from it). The interest paid in London during the 10 years is 28,600,000*l.* This forms part of the exports of India. The 8,000,000*l.* of the debt incurred during the 10 years form part of the imports of India, leaving a balance of, say, 21,000,000*l.* On public debt account to be further deducted from the last balance of unaccounted loss of Rx. 321,640,000, taking 21,000,000*l.* at 1*s.* 4*d.* per rupee, will give about Rx. 33,000,000, which, deducted from Rx. 321,640,000, will still leave the unaccounted loss or drain of Rx. 288,000,000. I repeat that as far as the economic effect on India of the despotic administration and management of expenditure under the British rule is concerned, the whole amount of Rx. 359,000,000 is a drain from the wretched resources of India.

38. But to avoid controversy, allowing for all public debt (political and commercial), there is still a clear loss or drain of Rx. 288,000,000 in 10 years, with a debt of 210,000,000*l.* hanging round her neck besides.

39. Rx. 288,000,000 is made up of Rx. 170,000,000 from the very produce of the country itself, and Rx. 118,000,000 from the profits of trade.

40. It must be also remembered that freight, insurance, and other charges after shipment are not calculated in the exports from India, every farthing of which is taken by England. When these items are added to the exports the actual loss to British India will be much larger than the above calculations. I may also explain that the item of stores is accounted for in the above calculations. The exports include payment for these stores, and imports include the stores. The whole of the above loss and burden of debt has to be borne by only the Indian taxpayers of *British India*. The Native states and their capitalists, bankers, merchants, or manufacturers, and the European capitalists, merchants, bankers, or manufacturers, get back their full profits.

41. In the above calculations I have taken 20 per cent. as what ought to be the excess of imports under natural circumstances, just as the excess of the United Kingdom is 32 per cent. But suppose I take even 15 per cent. instead of 20 per cent., then the excess of imports would be, say, Rx. 311,000,000 instead of nearly Rx. 359,000,000. From this Rx. 311,000,000, deduct, as above, Rx. 37,000,000 for public works account and Rx. 33,000,000 for political public debt account, there will still be a loss or drain Rx. 241,000,000 in 10 years.

42. Strictly considered in India's helpless condition, there has been a drain of its wealth to the extent of Rx. 360,000,000 in the 10 years.

43. But, as I have said, to avoid all futile controversy, after allowing fully for all debt, there is still a drain of Rx. 241,000,000 or Rx. 24,000,000 a year during the 10 years.

44. But it must be also remembered that besides the whole of the above drain, either Rx. 359,000,000, or Rx. 241,000,000, there is also the further loss of all that is consumed in India itself by foreigners so far, to the deprivation and exclusion of the children of British India.

45. Now let it be once more understood that there can be no objection to any capitalist, or banker, or merchant, or manufacturer going to India on his own account and making any profits there, *if we are also left free to do our best in fair competition*, but as long as we are impoverished and made utterly helpless in our economic condition by the forced and unnatural present system of the administration and management of expenditure, the whole profits of foreigners (European or Indian) is British India's irreparable loss.

46. The moral, therefore, of this phenomenon is that Sir John Shore's prediction of 1787, about the evil effect of foreign domination by the adoption of the present system of the administration and management of expenditure, is amply and deplorably fulfilled. Truly has Macaulay said: "The heaviest of all yokes "is the yoke of the stranger." It cannot be otherwise under the existing administration and management of expenditure. What an enormous sum, almost beyond calculation, would British India's loss amount to in the present century (leaving alone the last century of unparalleled corruption, plunder, and oppression by Europeans) when calculated with compound interest! A tremendously "cruel and crushing" and destructive tribute indeed!

47. With regard to the allegation that the fall in exchange has stimulated exports from India, here are a few figures which tell their own tale:

	Rx.
Exports in 1870–71 - -	64,690,000
„ „ 1890–91 -	102,340,000

or an increase of about 60 per cent. This is the increase in the 20 years of the fall of exchange.

	£
Now take 1850, exports -	18,700,000
1870, „ -	64,690,000

i.e., an increase of nearly 3½ times. Was this increase owing to fall in exchange? There was then no such fall in exchange. And what good this increase to India? As shown above, in 10 years only she has been drained to the extent indicated, besides what is eaten in the country by those who are not her children. The increase in trade, excepting that of Native and Frontier States, is not natural and economic for the benefit of the people of *British* India. It is mostly only the form in which the increasing "crushing tribute" and the trade profits and wants of foreigners are provided by the poor people of British India, the masses of whom live on scanty subsistence, and are ill-fed, ill-clothed, and ill-habited hewers of wood and drawers of water for them.

48. But there is another most important consideration still remaining.

49. Here is this wretched result as far as the producers of British and Irish produce are concerned, or the British trade with India is concerned.

50. In 1893 all British and Irish produce exported to all India is only 28,800,000*l.* for a population of 285,000,000, or 2*s.* per head per annum. But a large portion of this goes to the Native States and frontier territories. British Indian subjects themselves (221,000,000) will be found to take hardly a shilling or fifteen pence worth per head per annum. And this is all that the British people export to British India. If British India were more righteously treated and allowed to prosper, British produce will be exported to British India as much or a great deal more than what the British people are exporting to the whole world. A word to our Lancashire friends. If they would open their eyes to their true interests, and give up squabbling about these wretched cotton duties, they would see that a market of 220,000,000 people of British India, besides the 64,000,000 of the Native States, will require and take (if you allow them to prosper) more than Lancashire will be able to supply. Look at the wretched Lancashire trade with the poverty-stricken British Indians:—

In 1892–93 India imported yarn - - -	2,683,850*l.*	= 25,625,865*l.*
Manufactures - -	22,942,015*l.*	

for a population of 285,000,000, or about 1*s.* 9*d.* per head per annum. But if you deduct Native States and Frontier States, it will possibly be 1*s.* per head for British India. Why should it not be even 1*l.* or more per head if British India be allowed to enjoy its own produce? And Lancashire may have 250,000,000*l.* or more of trade instead of the wretched 25,000,000*l.* Will Lancashire ever open its eyes and help both itself and India to be prosperous?

Argument of Population.

Increase from 1881 to 1891 —

—	Increase.	Population per Square Mile.
England and Wales -	11·6 per cent.	500
British India - -	9·7 „	230

51. In 1801 the population of England and Wales (Mulhall's Dictionary, p. 444) was 8,893,000, say 9,000,000.

52. In 1884 the population was 27,000,000 (Parl. Ret [C. 7143], 1893), or three times as much as in 1801.

53. The income of England and Wales (Mul., p. 320) in 1800 was 230,000,000*l.*

54. In 1884, while the population increased to 27,000,000, or three times that of 1801, the income increased to 976,000,000*l.* (Mul., p. 321), or nearly 4½ times that of 1800.

55. The population of England and Wales (Mul., p. 444) in 1672 was 5,500,000. The income in 1664 (Mul., p. 320) was 42,000,000*l.*

56. In 1884 (Mul., p. 321), population 27,000,000, increased five times; income 976,000,000*l.*, increased more than 23 times.

57. As comparison with earlier times Macaulay said:—"While our numbers have increased tenfold, "our wealth has increased one hundredfold."

58. These facts do not show that increase of population has made England poorer. On the contrary, Macaulay truly says, "that the advantages arising "from the progress of civilisation have far more than "counterbalanced the disadvantages arising from the "progress of population."

59. Why, then, under the administration of the "greatest" and most highly paid service in the world, derived from the same stock as the administrators of this country, and, as Mr. Bright says, "whose praises "are so constantly sounded in this House," is India, after a long period, at present the most "extremely poor" country in the world. And yet, how can the result be otherwise under the existing administration and management of expenditure, based upon the deplorable principal that "India must be bled"? The fault is not of the officials. It is the evil system of expenditure, which cannot but produce such pernicious and deplorable results, which, if not remedied in time, must inevitably bring about a retribution the extent and disaster of which can hardly be conceived. Officials over and over again tell us that the resources of India are boundless. All the resources of civilisation have been at their command, and here is this wretched and ignominous result—that while England has gone on increasing in wealth at a greater progress than in population, India at this moment is far poorer than even the misgoverned and oppressed Russia, and poorer even than Turkey in its annual production, as Lord Cromer pointed out in 1882.

60. I think I need not say anything upon the first part of our reference. If I am required to be cross-examined on the representations which I have submitted, I shall then say whatever more may be necessary for me to say.

61. I have shown, by high authorities and by facts and figures, one result of the existing system of "The "administration and management of the military and "civil expenditure incurred under the authority of the "Secretary of State for India in Council, or of the "Government of India"—viz., the most deplorable evil of the extreme poverty of the mass of the people of British India—suicidal to British name and rule, and destructive and degrading to the people of British India, with an absolute system of administration instead of that of constitutional British citizenship.

. . . . .

62. Even a paper like the "Pioneer" of Allahabad (21st September 1895), which cannot be accused of being opposed to Anglo-Indian views, recognises that India "has also perhaps to undergo the often *subtle* "disadvantages of foreign rule." Yes, it is these "*subtle* disadvantages of foreign rule" which need to be grappled with and removed, if the connexion between India and England is to be a blessing to both, instead of a curse. This is the great and noble task for our Commission.

63. The administration of expenditure should be based on this principle as Sir Louis Mallet (C. 3086–1), 1881, p. 142, has said.

"If India is to be maintained and rendered a permanent portion of the British Empire, this must be accomplished in some other way than by placing our future reliance on the impirical arts of despotism."

Yours truly,

DADABHAI NAOROJI.

APPENDIX D.

Analysis of Terms of Reference as regards Apportionment of Charge.

National Liberal Club,
London, S.W.,
15th February 1896.

DEAR LORD WELBY,

1. I NOW request your favour of laying before the Commission this letter of my views on the second part of the Reference, viz., "The apportionment of charge "between the Governments of the United Kingdom "and of India for purposes in which both are "interested."

2. The word England, or Britain, is always used by me as embracing the United Kingdom.

3. I do not know whether there is any portion of the Indian charge (either in this country or in India) in which Britain is not interested. The one chief object of the whole expenditure of government is to govern India in a way to secure internal law and order and external protection. Now in both internal law and order and external protection, the interests of Britain are as great, or rather greater than those of India. That India is protected from lawlessness and disorder is unquestionably a great boon and benefit to it. But orderly or disorderly, India shall always remain and exist where it is, and will shape its own destiny somehow, well or badly. But without law and order British rule will not be able to keep its existence in India.

4. To Britain, all the law and order is the very breath of its nostrils in India. With law and order alone can it live in India.

5. If a thoroughly intelligent view of the position of Britain in India is taken, the interests of Britain are equally vital, if not far more vital, in the maintenance of good and satisfactory government, and of law and order, than those of India; and, in a just view, all the charge or cost in both countries of such good government and law and order in India, should be apportioned between the two countries, according to the importance of respective interests and to the proportion of the means or capacity of each partner in the benefit.

6. Certainly no fair and just-minded Englishman would say that Britain should have all the gain, glory, and every possible benefit of wealth, wisdom, and work of a mighty empire, and the price or cost of it should be all burdened on the shoulders of India.

7. I have stated above that the whole cost of administration is vital to the very existence of the British rule in India, and largely essential to the prosperity of the British people. Lord Roberts, with other thoughtful statesmen, has correctly stated the true relation of the two countries more than once. Addressing the London Chamber of Commerce, he said, "I rejoice to learn that you recognise how indis-"solubly the prosperity of the United Kingdom is "bound up with the retention of that vast Eastern "empire" (*Times*, 25/5/93). And again, at Glasgow, he said, "that the retention of our Eastern empire is "essential to the greatness and prosperity of the "United Kingdom" (*Times*, 29/7/93). And further, he also clearly points upon what such essential retention ultimately depends. He says, "But however "efficient and well-equipped the army of India may "be, were it indeed absolute perfection, and were its "numbers considerably more than they are at "present, our greatest strength must ever rest on the "firm base of a united and contented India." Sir William Harcourt said in his speech (House of Commons, 3/9/95), "As long as you have the people "of India your friends, satisfied with the justice "and policy of your rule, your Empire then will be "safe."

8. Professor Wordsworth has said (*Bombay Gazette*, 3/3/83): "One of the greatest Englishmen of the last "generation said that if ever we lost our Indian "empire we should lose it like every other we had lost, "or were about to lose, by alienating the affections of "the people."

9. Am I not then justified in asking that it is right and just, in order to acquire and preserve the affections of the people, that the cost of the administration which is essential to your "greatness" and your "prosperity," by which your prosperity is indissolubly bound up with that of India, and upon the secureness and law and order of which depends your very existence in India, and as a great empire, should be fairly shared by the United Kingdom?

10. Leaving this fair claim to the calm and fair consideration of this Commission, and to the sense of justice of the British people, I take a more moderate view of the duty of England. It is said that India should make all such payments as she would make for her government and her internal and external protection, even if there were no British rule, and only its own native rule. Now suppose this is admitted, what is the position? Certainly in that case there will be no employment of Europeans. The present forced, inordinate, and arbitrary employment of Europeans in both the civil and military services in both countries is avowedly, entirely, and solely, owing to British rule and *for British purposes and British interests*—to maintain British supremacy. If there were no British rule, there would be no Europeans employed by the native rulers. India accordingly may pay for every Indian employed, but justice demands that the expenditure on Europeans in both countries required for the sole interests of British rule and for British purposes should be paid by the British exchequer. I am not going to discuss here whether even British rule itself needs all the present civil and military European agency. Be this as it may, this much is clear: that the whole European agency, both civil and military, in England and in India is distinctly avowed and admitted to be for the interests of England, *i.e.*, to protect and maintain her supremacy in India against internal or external dangers. Lord Kimberley has put this matter beyond all doubt or controversy, that the European services are emphatically for the purpose of maintaining British supremacy. He says (dinner to Lord Roberts by the Lord Mayor—*Times*, 13th June, 1893):—

"There is one point upon which I imagine, whatever may be our party politics in this country, we are all united: that we are resolutely determined to maintain our supremacy over our Indian empire. That, I conceive, is a matter about which we have only one opinion, and let me tell you that that supremacy rests upon three distinct bases. One of those bases, and a very important one, is the loyalty and good-will of the Native Princes and population over whom we rule. Next, and not less important, is the maintenance of our European Civil Service, upon which rests the foundation of our administration in India. . . . . Last, not because it is the least, but because I wish to give it the greatest prominence, we rest also upon the magnificent European force which we maintain in that country, and the splendid army of native auxiliaries by which that force is supported. . . . . Let us firmly and calmly maintain our position in that country; let us be thoroughly armed as to our frontier defences, and then I believe we may trust to the old vigour of the people of this country, come what may, to support our supremacy in that great empire."

11. Now this is significant, while Lord Kimberley talks of resolute determination, &c., &c., to maintain British supremacy, and for all British purposes, he does not tell at whose cost. Is it at British cost, as it is for British purposes, or even any portion of that cost? He has not told the British pubic openly that it is for every farthing at the cost of the Indians, all the gain, glory, and empire, "ours," and all the burden for the Indians.

12. One thing is made clear by Lord Kimberley, that as far as Britain is concerned, the only motive which actuates her in the matter of the second and third basis—the European civil and military services—is her own supremacy, and nothing else; that there can be no difference of opinion in Britain why European services in both countries are forced upon India, viz., solely and entirely for British purposes and British interests, for "the resolute determination to maintain "*our* supremacy."

13. I would be, therefore, asking nothing unreasonable, under the reference to this Commission, that what is entirely for British purposes must in justice be paid for by the British people, and the Indian people should not be asked to pay anything. I, however, still the more modify this position. Notwithstanding that European services, in their present extent and constitution, are India's greatest cause of all its economic miseries, that India may consider itself under a reasonable arrangement, to be indirectly benefited by a certain extent of European agency, and that for such reasonable

arrangement India may pay some fair share of the cost of such agency, employed in India. As to all the State charges incurred in this country for such agency, it must be remembered that, in addition to their being entirely for British purposes, they are all, every farthing, earned by Europeans, and spent, every farthing, in this country. It is a charge upon India without any voice or consent of India. No such charge is made upon the Colonies. The Colonial Office building and establishment is all a charge upon the British Exchequer. All charges, therefore, incurred in this country for the India Office and its establishment, and similar ones for State purposes, should under any circumstances be paid from the British Exchequer.

14. I shall put, briefly, a moderately just "apportionment of charge" in this way:—

15. India and England should pay all salaries which are to be paid to their own people, within their own limits, respectively—*i.e.*, England should pay for all Englishmen employed in England, and India should pay for all Indians employed in India; and as to those in one country who are employed in the other country, *i.e.*,—Englishmen employed in India, and Indians employed in England—let there be some fair and reasonable apportionment between the two countries—taking, as much as possible, into consideration their respective benefits and capacity of means.

16. As to pensions, a reasonable salary being paid during service in India, no pensions to follow; so that, when Europeans retire from India, there should be no charge on England for pensions, the employees having made their own arrangements for their future from their salaries.

17. By this arrangement India will not only pay all that it would pay for a government by itself, supposing the English were not there, but also a share in the cost in India for what England regards as absolutely necessary for her own purpose of maintaining her empire in India.

18. I may say a few words with regard to the navy. On no ground whatever of justice can India be fairly charged any share for the navy, except so far as it falls within the principle stated above, of actual service in Indian harbours.

1 The whole navy as it exists, and as it is intended to be enlarged, is every inch of it required for the protection and safety of this country itself—even if Britain had no empire—for its own safety—for its very existence.

2. Every farthing spent on the navy is entirely earned by Englishmen; not the slightest share goes to India, in its gain, or glory, or employment or in any way.

3. In the time of war between England and any European Powers, or the United States, the navy will have hard work to protect British commerce itself.

4. There is no such thing, or very insignificant, as Indian foreign commerce, or Indians' risk in what is called British Indian foreign commerce. The whole of what is called British Indian foreign trade is entirely first British risk and British capital. Every inch of the shipping or every ounce of cargo on the seas is British risk of British East India banks, British marine insurance companies, and British merchants and shipowners and manufacturers. Any person who has any knowledge of how the whole of what is called British Indian foreign trade is carried on will easily understand what I mean.

5. No European Power will go to attack India from the sea, leaving British navy free to pursue it.

6. Suppose there was no English navy to pursue, Lord Roberts' united and contented, and therefore patriotic, India, will give such an irrestible Indian force at the command of Britain as to give a warm reception to the invader, and drive him back into the sea, if he ever succeeded in landing at all.

19. With regard to the absolute necessity to the United Kingdom itself for its *own safety*, of the whole navy as it exists and is intended to be increased, there is but one universal opinion, without any distinction of parties. It will be easy to quote expressions from many prominent politicians. It is, in fact, the great subject of the day for which there is perfect unanimity. I would content myself, however, with a few words of the highest authority in the realm under the Sovereign, the Prime Minister, and also of the Chancellor of the Exchequer. Lord Salisbury said in his Brighton speech:—

"But dealing with such money as you possess . . . . that the first claim is the naval defence of England. I am glad that you welcome that sentiment. . . . . It is our business to be quite sure of the safety of this island home of ours whose inaccessibility is the source of our greatness, that no improvement of foreign fleets, and no combination of foreign alliances, should be able for a moment to threaten our safety at home. . . . . We must make ourselves safe at sea whatever happens. . . . . But after all, safety—safety from a foreign foe—comes first before every other earthly blessing, and we must take care in our responsibility to the many interests that depend upon us, in our responsibility to the generations that are to succeed us, we must take care that no neglect of ours shall suffer that safety to be compromised."

20. Sir M. Hicks-Beach, the Chancellor of the Exchequer, so late as 28th January last (*The Times*, 29/1/96) said emphatically, and in a fighting mood: "We must be prepared. We must never lose the supremacy of the sea. Other nations had not got it, and could afford to do without it; but supremacy of the sea was vital to our very existence."

21. With such necessity for England's own safety, whether she had India or not, any burden to be placed on India can only be done on the principle of the right of might over our helplessness, and by treating India not in justice and fairness. Yes; let India have complete share in the *whole* Imperial system, and then talk of asking her to contribute to Imperial expenses. Then will be the time to consider any such question as it is being considered in relations with Ireland, which enjoys, short of Home Rule which is vital to it, free and full share in the whole Imperial gain and glory—in the navy, army, and Civil Services of the Empire. Let all arrangements exist in India as they exist here for entrance into all the Imperial Services here and elsewhere, and it will be time and justice to talk of India's share in Imperial responsibilities. Certainly not on the unjust principle of all gain and glory, employment, &c., for England, and share of cost on India, without any share in such gain, glory, employment, &c.

22. As to the bugbear of Russian invasion. If India is in a contented state with England, India will not only give an account of Russia, but will supply an army in the most patriotic spirit, large enough to send Russia back to St. Petersburg, India will then fight for herself in fighting for Britain. In satisfied India, Britain has an inexhaustible and irresistible store of fighting power, enough and more to fight Britain's battles all over the world, as it has been doing. Lord Beaconsfield saw this and showed it by bringing Indian troops to Malta. Only *pay honestly* for what you take, and not unjustly throw burdens upon India for your own purposes and interests. *With* India, Britain is great and invincible; without India Britain will be a small power. Make India feel satisfaction, patriotism, and prosperity under your supremacy, and you may sleep securely against the world. Of course, as I have said before, I am arguing on the assumption that justice is to be dealt out by this Commission to both countries on the basis of right.

23. Our Commision has a great, holy, and patriotic task before it. I hope it will perform it, and tell the British people, the redress that is justly due to India. The very first and immediate justice that should be done by England is the abolition of the Exchange Compensation, which is neither legal nor moral, or pay it herself, inasmuch as every farthing paid will be received by English people and in England. It is an arbitrary exaction from the poverty of India. As to the general question of apportionment, I have stated the principle above.

24. Now another important question in connection with "apportionment of charge" has to be considered, viz., of any expenses incurred outside the limits of India of 1858.

25. I shall take as an illustration the case of North-West frontier wars. Every war, large or small, that is carried on beyond the frontiers of 1858 is distinctly and clearly mainly for Britain's Imperial and European purposes. It is solely to keep her own power in India. If it were not for the maintenance of her own power in India and her position in Europe, she would not care a straw whether the Russians or any other

power invaded India or took it. The whole expenditure is for Imperial and European purposes. On 11th February, 1880, Mr. Fawcett moved the following amendment to the Address in reply to the Queen's Speech (*Hansard*, vol. 250, p. 453):—

"But humbly desire to express our regret that in view of the declarations that have been made by Your Majesty's ministers that the war in Afghanistan was undertaken for Imperial purposes, no assurance has been given that the cost incurred in consequence of the renewal of hostilities in that country will not be wholly defrayed out of the revenues of India."

26. Mr. Fawcett then said (*Hansard*, vol. 250, p. 454):—

"And, fourthly, the most important question, as far as he was able to judge, of who was to pay the expenses of the war. . . . . It seemed to be quite clear that the expenses of the war should not be borne by India, and he wished to explain that, so far as India was concerned, this was not to be regarded as a matter of generosity, but of justice and legality. . . . . The matter must be decided on grounds of strict justice and legality. . . . . (P. 457) It was a remarkable thing that every speech made in that House or out of it by ministers or their supporters on the subject, showed that the war was a great Imperial enterprise, those who opposed the war having always been taunted, as being "parochial" politicians who could not appreciate the magnitude and importance of great Imperial enterprises. . . . . (P. 458) He would refer to the speeches of the Viceroy of India, the Prime Minister, and the Secretary of State for Foreign Affairs upon the subject. . . . . In December, 1878, the noble Earl* warned the Peers that they must extend their range of vision, and told them that they were not to suppose that this was a war which simply concerned some small cantonments at Dakka and Jellalabad, but one undertaken to maintain the influence and character, not of India, but of England in Europe. Now, were they going to make India pay the entire bill for maintaining the influence and character of England in Europe? . . . . His Lordship† treated the war as indissolubly connected with the Eastern question. . . . . Therefore it seemed to him (Mr. Fawcett) that it was absolutely impossible for the Government, unless they were prepared to cast to the winds their declarations, to come down to the House and regard the war as an Indian one. . . . All he desired was a declaration of principle, and he would be perfectly satisfied if some one representing the Government would get up and say that they had always considered this war as an Imperial one, for the expenses of which England and India were jointly liable."

27. Afterwards Mr. Fawcett said (p. 477):—

"He was entirely satisfied with the assurance which had been given on the part of the Government that the House should have an opportunity of discussing the question before the Budget was introduced, and would therefore beg leave to withdraw his amendment."

28. In the House of Lords, Lord Beaconsfield emphasised the objects to be for British Imperial purposes (25/2/80—*Hansard*, vol. 250, p. 1,094):—

"That the real question at issue was whether England should possess the gates of her own great Empire in India. . . . . We resolved that the time has come when this country should acquire the complete command and possession of the gates of the Indian Empire. Let me at least believe that the Peers of England are still determined to uphold not only the Empire, but the honour of this country."

29. So it is clear that the object of all the frontier wars, large or small, was that "*England* should possess the gates of *her own* great Empire," that "*this country* "should acquire the complete command and possession "of the gates of the Indian Empire," and uphold not only the Empire, but also "the honour of this country." Can anything be more clear than the Imperial character of the frontier wars?

30. Mr. Fawcett, again, on 12/3/80, moved (*Hansard*, vol. 251, p. 922):—

"That in view of the declarations which have been officially made that the Afghan war was undertaken in the joint interests of England and India, this House is of opinion that it is unjust to defray out of the revenues of India the whole of the expenditure incurred in the renewal of hostilities with Afghanistan."

31. Speaking to this motion, Mr. Fawcett, after referring to the past declarations of the Prime Minister, the Secretary of State for Foreign Affairs, and the Chancellor of the Exchequer, quoted from the speech of the Viceroy soon after his arrival (p. 923):—

"I came to India, and just before leaving England for India I had frequent interviews with Lord Salisbury, the then Indian Secretary, and I came out specially instructed to treat the Indian frontier question as an indivisible part of a great Imperial question, mainly depending for its solution upon the general policy of Her Majesty's Government. . . . ."

32. And further on Mr. Fawcett said (p. 926):—

"What was our policy towards self-governed Colonies and towards India not self-governed? In the self-governed Colony of the Cape we had a war for which we were not responsible. Who was to pay for it? It would cost the English people something like 5,000,000*l*. In India there was a war for which the Indian people were not responsible—a war which grew out of our own policy and actions in Europe—and we are going to make the Indian people, who were not self-governed and were not represented, pay every sixpence of the cost."

33. And so Lord Salisbury, as Secretary of State for India, and the Viceroy had cleared up the whole position—"to treat the Indian frontier question as an "indivisible part of a great Imperial question, mainly "depending for its solution upon the general policy of "Her Majesty's Government," and the Indian people having no voice or choice in it.

34. Mr. Gladstone, following Mr. Fawcett, said (p. 930):—

"It appears to me that, to make such a statement as that the judgment of the Viceroy is a sufficient expression of that of the people of India, is an expression of paradox really surprising, and such as is rarely heard among us. . . . (P. 932) In my opinion my hon. friend the member for Hackney has made good his case. . . . Still, I think it fair and right to say that, in my opinion, my hon. friend the member for Hackney has completely made good his case. His case, as I understand it, has not received one shred of answer. . . . (P. 933) In the speech of the Prime Minister, the speech of Lord Salisbury, and the speech of the Viceroy of India, and, I think my hon. friend said, in a speech by the Chancellor of the Exchequer, this Afghan war has been distinctly recognised as partaking of the character of an Imperial war. . . . But I think not merely a small sum like that, but what my right hon. friend the Chancellor of the Exchequer would call a solid and substantial sum, ought to be borne by this country, at the very least. . . . . (P. 935) As regards the substance of the motion, I cordially embrace the doctrine of my hon. friend the member for Hackney. There is not a constituency in the country before which I would not be prepared to stand, if it were the poorest and most distressed in the land, if it were composed of a body of men to all of whom every addition of a farthing for taxes was a sensible burden, and before them I would be glad to stand and plead that, when we have made in India a war which our own Government have described as in part an Imperial war, we ought not for a moment to shrink from the responsibility of assuming at least a portion of the cost of that war, in correspondence with that declaration, instead of making use of the law and argument of force which is the only law and the only argument which we possess or apply to place the whole of this burden on the shoulders of the people of India."

35. The upshot of the whole was that England contributed 5,000,000*l*. out of 21,000,000*l*. spent on this war, when one would have naturally expected a "far more solid and substantial" sum from rich England, whose interest was double, both Imperial and European. But the extent of that contribution is not the present question with me. It is the principle that "the Indian "frontier question is one indivisible part of a great "Imperial question, mainly depending for its solution "upon the general policy of Her Majesty's Govern-"ment," and that, therefore, a fair apportionment must be made of all the charge or cost of all frontier wars, according to the extent of the interest and of the means of each country.

36. Coming down to later times, the action of Mr. Gladstone on 27th April, 1885, to come to the House of Commons to ask for 11,000,000*l*.—and the House accepting his proposal—on the occasion of the Penjdeh incident, is again a most significant proof of the Imperial character of these frontier wars. He said (*Hansard*, vol. 297, p. 859):—

"I have heard with great satisfaction the assurance of hon. gentlemen opposite that they are disposed to

* The Prime Minister. † The Marquis of Salisbury.

forward in every way the grant of funds to us to be used as we best think for the maintenance of what I have upon former occasions described as a National and Imperial policy. Certainly, an adequate sense of our obligations to our Indian Empire has never yet been claimed by any party in this country as its exclusive inheritance. In my opinion he will be guilty of a moral offence and gross political folly who should endeavour to claim on behalf of his own party any superiority in that respect over those to whom he is habitually opposed. It is an Imperial policy in which we are engaged."

37. Lastly, last year (15/8/95) the present leader of the House of Commons (Mr. Balfour) in his speech, referred to "a serious blow to *our* prestige"; "that "there are two and *only two* great powers they (the "tribesmen) have to consider," "*to us*, and *to us* alone, "must they look as a suzerain power." "To depend "upon the British throne." (The italics are mine.) So it is all "ours" and "us" for all gain and glory and Imperial possessions, and European position—except that India must be forced to pay the bill. Is this the sense and conscience of *English justice*, to make India pay the whole cost of the Chitral war or any frontier war?

38. Though the real and principal guiding motive for the British Government for these frontier wars is only Imperial and European for "its resolute determination" of keeping its possession of India and position in Europe, still India does not want to ignore its indirect and incidental benefit of being saved from falling into Russia's hands, coupled with the hope that when British conscience is fully informed and aroused to a true sense of the great evils of the present system of administration, these evils will be removed. India, therefore, accepts that these frontier wars, as far as they may be absolutely necessary, involve Indian interests also, and would be willing to pay a fair share according to her means.

39. India, therefore, demands and looks to the present Commission hopefully to apportion a fair division for the cost of all frontier wars in which India and England have and had purposes of common interest. This whole argument will apply to all wars, on *all* the frontiers of India—East, West, North, or South. With reference to all wars outside *all* the frontiers of India and in which India has no interest, Britain should honestly pay India fully for all the services of men or materials which she has taken and may take from India—not, as in the Abysinian War, shirk any portion. Sir Henry Fowler, in his speech in the House of Commons (22/7/93), said:—"I say on behalf of the "English people, they want to deal with Ireland, not "shabbily but generously." I believe that the English people wish to deal with India also justly and generously. Has not India greater claims than even Ireland, on the justice and generosity of the English people. Inasmuch as the Irish people have the voice of their own direct representatives in Parliament on their own and Imperial affairs, while India is helpless and entirely at the mercy of England, with no direct vote of her own, not only in Parliament, but even in the Legislative Councils in India, on any expenditure out of her own revenues. Ireland not only has such voice, but has a free and complete share in all the gain and glory of the British Empire. An Irishman can occupy any place in the United Kingdom or India. Can an Indian occupy any such position, even in his own country, let alone in the United Kingdom or the Empire. Is not this "shabby"?

40. Let us take an illustration or two. What is it, if not shabby to throw the expenses of Prince Nasarulla's visit upon the Indian people? There is the mutiny of 1857. The causes were the mistakes and mismanagement of your own authorities; the people had not only no share in it, but actually were ready at your call, to rise and support you. Punjab sent forth its best blood, and your supremacy was triumphantly maintained, and what was the reward of the people? You inflicted upon the people the whole payment to the last farthing of the cost of that deplorable event, of your own servants' making. Not only, then, was India unjustly treated, but even "shabbily." Let Lord Northbrook speak: House of Lords (15/5/93—*Debates*, vol. xii, p. 874):—

"The whole of the ordinary expenses in the Abysinian expedition were paid by India.* Only the extraordinary expenses being paid by the Home Government, the argument used being that India would have to pay her troops in the ordinary way, and she ought not to seek to make a profit out of the affair. But how did the Home Government treat the Indian Government when troops were sent out during the Mutiny? Did they say, 'we don't want to make any profit out of this?' Not a bit of it. Every single man sent out was paid for by India during the whole time, though only temporary use was made of them, including the cost of their drilling and training as recruits until they were sent out."

* With it India had nothing to do, and yet Britain did not pay all expenses.

41. Can anything be more "shabby"? not to use a stronger word. Here you send troops for your own very existence. The people help you as best they can, and you not only not pay even any portion of the expenditure, but reward the people for their loyalty with the infliction of not only the whole expense and additional burdens, but even as shabbily as Lord Northbrook discloses. And still more, since then, you have in a marked way been treating the people with distrust, and inflicting upon them, unnecessarily and selfishly, a larger and more expensive army to be paid for as wholly as the army of the Mutiny, viz., including the cost, or a portion of the cost, of their drilling and training as recruits until they are sent out, though all the troops are in this country, and they form an integral part of the British Army. And the whole expenditure of the frontier wars, including Chitral, is imposed upon the Indian people, though avowedly incurred for Imperial and European purposes, excepting that for very shame, a fourth of the cost of the last Afghan War was paid from the British Exchequer, thanks to Mr. Fawcett. In fact, the whole European Army is an integral part of the British Army, India being considered and treated as a fine training ground for the British Army, at any expense for English gain, glory, and prestige, and as a point of protection for British Imperial and European position, leaving the Indians the proud privilege of paying for everything to the last farthing, without having the slightest voice in the matter. The worst of the whole thing is that having other and helpless people's money to spend, without any check from the British taxpayer, there is no check to any unnecessary and extravagant expenditure.

42. Now, even all these unjust inflictions for the Mutiny, and all past tyranny were considered somewhat, if not fully compensated by that great, noble, and sacred with invocation of Almighty God, proclamation of 1858, by which it was proclaimed to India and to the world that the Indian subjects were raised to an equality with the British subjects in their citizenship and British rights. And is that solemn pledge kept? Not a bit of it. On the contrary all such pledges are pronounced by Lord Salisbury as "hypocrisy," by Lord Lytton as "cheating" by "deliberate and transparent subterfuges," and "by breaking to the heart "the word of promise they had uttered to the ear," by a Committee of the Council of the India Office itself as "keeping promise to the ear and breaking it to the hope," and by the Duke of Argyll as "we have not fulfilled our promises."

43. At Glasgow, on November 14th, 1895, Mr. Balfour said: "You all remember that the British Army—and "in the British Army I include those native soldiers, "fellow subjects of ours, who on that day did great "work for the Empire of which they are all citizens." This is the romance. Had Mr. Balfour spoken the reality, he would have said, "Include those native "soldiers, the drudges of ours, who on that day did "great work for the Empire, of which they are kept-"down subjects." For does not Mr. Balfour know, that far from being treated as "fellow subjects" and "citizens of the Empire," the Indians have not only to shed their blood for the Empire, but even to *pay every farthing* of the cost of those wars for "our Empire" and "our European position," that no pledges, however solemn and binding, to treat Indians as "fellow subjects" or British citizens have been faithfully kept either in letter or spirit, that however much these Indians may be brave and shed their blood for Imperial purposes, or be made to pay "cruel and crushing tribute" they are not allowed any vote in the Imperial Parliament nor a vote in the Indian Legislative Councils on their own financial expenditure, that their employment in the officering of the army beyond a few inferior positions of Subadar Major or Jamadar Major, &c., is not at all allowed, that they are distrusted and disarmed—are not allowed to become volunteers, that every possible obstacle is

thrown and "subterfuge" resorted to, against the advancement of the Indians in the higher positions of all the Civil Services, and that the simple justice of allowing Indians an equality to be simultaneously examined in their own country, for *Indian* services, decided by Act and resolution of Parliament, and solemnly pledged by the great Proclamation, is resisted by every device and subterfuge possible, unworthy of the English character. Is it not a mockery and an insult to call the Indians "fellow subjects and citizens of the Empire," when in reality they are treated as under-heel subjects?

44. Here are Rs. 128,574,590 or nearly Rs. 129,000,000, spent from April, 1882, to March, 1891 (Parliamentary Return, 91 of 1895), beyond "the West and North-west Frontiers of India," after the disastrous expenditure of 21,000,000*l.* in the last Afghan War (of which only a quarter was paid by the British Exchequer). Every pie of this nearly Rs. 129,000,000 is exacted out of the poverty-stricken Indians, and all for distinctly avowed Imperial and European British purposes. I do not know whether the Rs. 129,000,000 includes the ordinary pay of all the soldiers and officers employed in the Frontier Service, or whether it is only the extraordinary military expenditure that is included. If the ordinary pay is not included, then the amount will be larger than Rs. 129,000,000. And these are "our fellow subjects" and "our Imperial citizens"! To shed blood for Imperial purposes and to pay the whole cost also!

45. Lord George Hamilton said at Chiswick (*Times*, 22/1/96): "He hoped that the result of the present "Government's tenure of office would be to make the "British Empire not merely a figure of speech, but "a living reality"? Now is not this as much romance as that of Mr. Balfour's, instead of being a "living reality." All the questions I have asked for, Mr. Balfour's expressions apply as forcibly to the words of the present Secretary of State of India, who ought to know the real despotically subjected position of the people of British India, forming two-thirds of the empire. Yes, the British Empire can be made a "living reality" of union and devoted attachment, but not under the present system of British Indian administration of expenditure. It can be, when in that system, justice, generosity, fair apportionment of charges, and honour, and "courage of keeping the word" shall prevail.

46. Now Mr. Chamberlain, at Birmingham (*Times*, 27/1/96), said, in reference to the African Republic:—

"Now, I have never denied that there is just cause for discontent in the Transvaal Republic. The majority of the population there pay nine-tenths of the taxation, and have no share whatever in the government of the country. That is an anomaly which does not exist in any other civilised community, and it is an anomaly which wise and prudent statesmanship would remove. I believe it can be removed without danger to the independence of the Republic, and I believe until it is removed you have no permanent guarantee against future internal disturbances."

Do not these words apply with ten times force to the case of India, and is not that wise and prudent statesmanship which is preached here required to be practised in connection with the greatest part of the British Empire? I venture to use Mr. Chamberlain's words:—

"I believe (the anomaly) can be removed without danger to the stability of the British power, or, rather, with devoted and patriotic attachment to the British connection; and I believe that until it is removed you have no permanent guarantee against future internal disturbances."

47. *The Times* (1/2/96), in a leader on Lord Salisbury's speech before the Nonconformist Unionist Association, in a sentence about the Outlanders, expresses what is peculiarly applicable to the present position of India. It says:—

"The Outlanders in the Transvaal—not a minority, but a large majority—are deprived of all share of political power and of the most elementary privileges of citizenship, because the dominant class, differing from them in race and feeling, as Lord Salisbury says, 'have the government and have the rifles.'"

48. The Indians must provide every farthing for the supremacy of the minority of "the dominant class," and should not have the slightest voice in the spending of that every farthing, and find every solemn pledge given for equality of British citizenship flagrantly broken to the heart in letter and in spirit. And why? Is it because, as Mr. Gladstone said about India itself, "the law and argument of force, which is the only law "and argument which we possess or apply"? This Commission has the duty, at least, so far as a fair apportionment of charge is concerned, to redress this great wrong.

49. But the faith of the Indians in the conscience of the British people is unbounded and unshakeable, and the little incidents of bright spots keep up that faith, such as the justice of not burdening the Indian people with the cost of the Opium Commission, and—even though inadequate and partial—the payment of one-fourth of the cost of the last Afghan War. It is these acts of justice that consolidate the British rule and tend towards its stability.

50. I believe now, as I have always believed, that the English people wish and want to deal with India justly and generously. When I say that I believe in the British character of fair play and justice, it is not a sentiment of to-day or yesterday. In the very first political speech of my life, made as far back as 1853, at the formation of the Bombay Association, on the occasion of the Parliamentary Inquiry on Indian Affairs for the renewal of the Company's Charter, I said:—

"When we see that our Government is often ready to assist us in everything calculated to benefit us, we had better, than merely complain and grumble, point out in a becoming manner what our real wants are. . . . . If an Association like this be always in readiness to ascertain by strict inquiries the probably good or bad effects of any proposed measure, and, whenever necessary, to memorialise Government on behalf of the people with respect to them, our kind Government will not refuse to listen to such memorials."

51. And under that belief the Bombay Association, the British Indian Association of Bengal, and the Madras Association, memorialised the then Select Committee on Indian Affairs, for redress of grievances.

52. Now, after not very short of nearly half a century of hopes and disappointments, these are still my sentiments to-day, that with correct and full knowledge, the British people and Parliament will do what is right and just.

53. I may here take the opportunity of making a remark or two about the wide extent of the scope of the inquiry of this Commission in the first part of the Reference.

54. Lord Cranbourne, soon after having been Secretary of State for India, said (24/5/67) in reference to the powers of the Council of the Secretary of State for India:—

"It possesses by Act of Parliament an absolute and conclusive veto upon the Acts of the Government of India with reference to nine-tenths, I might also say ninety-nine hundredths, of the questions that arise with respect to that Government. Parliament has provided that the Council may veto any despatch which directs the appropriation of public money. Everyone knows that almost every question connected with Government raises in some way or other the question of expenditure."

55. The first part of the Reference to this Commission embraces "almost every question connected with "Government." "Ninety-nine hundredths of the questions that arise with respect to that Government."

56. This view is fully confirmed by the inquiry by the Select Committee of 1871–4. The Reference to it was "to inquire into the Finance and Financial "Administration of India," and our first Reference is fully of the same scope and character. Now what was the extent of the subjects of the inquiry made by that Committee? The index of the proceedings of the four years (1871–4) has a table of contents headed; "Alphabetical and Classified List of the "principal headings in the following Index, with the "pages at which they will be found." And what is the number of these headings? It is about 420. In fact, there is hardly a subject of Government which is not inquired into.

In our Reference, the inquiry into revenue is excluded.

Yours truly,
DADABHAI NAOROJI.

APPENDIX E.

REGARDING LORDS SALISBURY AND IDDESLEIGH'S SUCCESSFUL PLAN IN MYSORE.

National Liberal Club,
London, S.W.
21st March 1896.

DEAR LORD WELBY,

I HAVE to request you kindly to put before the Commission this further representation from me on the subjects of our inquiry. This will be my last letter, unless some phase of the inquiry needed any further explanation from me.

2. Looking at the first part of the inquiry from every point of view, with regard to the administration and management of expenditure, we come back again and again to the view expressed by the Duke of Devonshire and Sir William Hunter and others. The Duke of Devonshire has said: "If the country is to be better "governed, that can only be done by the employment "of the best and most intelligent of the Natives in the "Service." Sir William Hunter has said: "But the "good work thus commenced has assumed such "dimensions under the Queen's Government of India "that it can no longer be carried on or even super-"vised by imported labour from England except at a "cost which India cannot sustain. . . . If we are "to govern the Indian people efficiently and cheaply, "we must govern them by means of themselves, and "pay for the administration at the market rates of "Native labour."

3. From all I have said in my previous representations it must have been seen that the real evil and misery of the people of British India does not arise from the *amount* of expenditure. India is capable, under natural circumstances, of providing twice, three times or more the expenditure, as the improvement of the country may need in attaining all necessary progress. The evil really is in the way in which that expenditure is administered and managed, with the effect of a large portion of that expenditure not returning to the people from whom it is raised. You may devise the most perfect plan or scheme of government, not only humanly but divinely perfect—you may have the foreign officials, the very angels themselves—but it will be no earthly good to the people as long as the exhausting management of expenditure continues the same. On the contrary, the evil will increase by the very perfection or such plan or scheme for improvements and progress. For as improvements and progress are understood to mean, at present, it is more and more introducing the foreign exhausting agency.

4. The real problem before the Commission is not how to nibble at the expenditure and suggest some poor reductions here and there, to be put aside in a short time, as is always done, and how to stop the material and moral exhaustion, and leaving British India a freedom of development and progress in prosperity which her extraordinary natural resources are capable of, and to treat her justly in her financial relations with Britain by apportioning fairly the charge on purposes in which both are interested. Or, to put the problem in its double, important bearings, in the words of an eminent statesman, "which should at once "afford a guarantee for the good government of the "people, and for the security of British rights and "interests" (Lord Iddesleigh), as will be seen further on. I am glad to put before the Commission that this problem has been not merely enunciated, but that, with the courage of their convictions, two eminent statesmen have actually carried it out practically, and have done that with remarkable success. I am the more glad to bring forward this case before the Commission, as it also enables me to adduce an episode in the British Indian Administration on the conduct of the Indian authorities in both countries and other Anglo-Indian officials, which reflects great credit upon all concerned in it—and as my information goes, and as it also appears from the records, that Her Majesty personally has not a little share in this praise, and in evoking a hearty Indian gratitude and loyalty to herself. This episode also clearly indicates or points to the way as to what the true natural relations should be between Britain and India, with the result of the welfare and prosperity of both, and the security and stability of British supremacy.

5. I shall at once proceed to the case to which I have alluded above, and in connection with which there have been true statesmanlike and noble declarations made as to the right relations between Britain and India as they ought to exist. This case is in every way a bright chapter in the history of British India. The especially remarkable feature of this case is that notwithstanding the vehement and determined opposition to it from all Indian authorities for some 36 years, after this wise, natural, and righteous course was decided upon by Her Majesty and the Secretary of State for India of the time, all the authorities, both here and in India, carried it out in the most loyal, earnest, and scrupulous manner and solicitude worthy of the British name and character. Had they fortunately shown the same loyalty and true sense of their trust to the Acts and resolutions of Parliament, to the solemn proclamations and pledges, as have been shown in the case I am referring to, what a different, prosperous, and grateful India would it have been to-day, blessing the name of Britain, and both to its glory and gain. It is not too late yet.

6. On 22nd January 1867, Lord Salisbury (then Lord Cranbourne and Secretary of State for India) said (Hansard, vol. 185, p. 839):—

"But there are other considerations, and I think the hon. gentleman (Sir Henry Rawlinson) stated them very fairly and eloquently. I do not myself see our way at present to employing very largely the natives of India in the regions under our immediate control. *But it would be a great evil if the result of our dominion was that the natives of India who were capable of government should be absolutely and hopelssly excluded from such a career.* The great advantage of the existence of Native States is that they afford an outlet for statesmanlike capacity such as has been alluded to. I need not dwell upon the consideration to which the hon. gentleman so eloquently referred, but I think *that the existence of a well-governed Native State is a real benefit, not only to the stability of our rule,* but because, more than anything, it raises the self-respect of the natives and forms an ideal to which the popular feelings aspire. . . . . Whatever treaties or engagements may be entered into, I hope that I shall not be looked upon by gentlemen of the Liberal party as very revolutionary if I say *that the welfare of the people of India must override them all.* I quite admit the temptations which a paramount power has to interpret that axiom rather for its own advantage than its own honour. There is no doubt of the existence of that temptation, but that does not diminish the truth of the maxim." [The italics are mine.]

7. On 24th May 1867, Lord Iddesleigh (then Sir Stafford Northcote and Secretary of State for India) said (Hansard, vol. 187, p. 1068):—

"He believed that the change in education in India, and the fact that the Natives now saw what their system of government was and is, had told most beneficially on that country. He had, therefore, confidence that we might establish a state of things in Mysore which would have a happy effect on the administration of the country. What had taken place in other parts of India? Travancore forty years ago was in as bad a state as Mysore, yet its administration under British influence had so greatly improved that Travancore was now something like a model Native State. *Our Indian policy should be founded on a broad basis. There might be difficulties; but what we had to aim at was to establish a system of Native States which might maintain themselves in a satisfactory relation.* Keeping the virtues of Native States, and getting rid, as far as possible, of their disadvantages. We must look to the great *natural* advantages which the government of a Native State must *necessarily* have. Under the English system there were advantages which would probably never be under Native Administration—regularity, love of law and order and justice."

8. Had Lord Iddesleigh lived he would have with pleasure seen that the advantages he refers to are being attained in the Native States; and in Mysore itself, as well as in several other States, they have been largely

already attained. And under the eye of the British Government there is progress everywhere. Lord Iddesleigh proceeds :—

"But Native Administration had the advantage in *sympathy between the governors and the governed.* Governors were able to appreciate and understand the prejudices and wishes of the governed; especially in the case of Hindu States, the religious feelings of the people were enlisted in favour of their governors instead of being roused against us.* He had been told by a gentleman from India that nothing impressed them more than walking the streets of some Indian town, they looked up at the houses on each side and asked themselves, 'what do we really know of these people —of their modes of thought, their feelings, their prejudices—and at what great disadvantage, in consequence, do we administer the government?' The English Government must necessarily labour under great disadvantages,† and *we should endeavour as far as possible to develop the system of native government to bring out native talent and statesmanship, and to enlist in the cause of government all that was great and good in them.* Nothing could be more wonderful than our Empire in India; but we ought to consider on what conditions we hold it and how our predecessors held it. The greatness of the Mogul Empire depended on the liberal policy that was pursued by men like the great Emperor Akbar and his successors availing themselves of Hindu talent and assistance, and identifying themselves as far as possible with the people of the country. They ought to take a lesson from such circumstances. *If they were to do their duty towards India they could only discharge that duty by obtaining assistance and counsel of all who are great and good in that country.* It would be absurd in them to say that there was not a large fund of statesmanship and ability in the Indian character. They really must not be too proud. They were always ready to speak of the English government as so infinitely superior to anything in the way of Indian government. But if the natives of India were disposed to be equally critical, it would be possible for them to find out weak places in the harness of the English administration. The system in India was one of great complexity. It was a system of checks and counter checks, and very often great abuses failed to be controlled from want of a proper knowledge of and sympathy with the Natives." [The italics are mine.]

9. On the same day Lord Salisbury, supporting Lord Iddesleigh, said (Hansard, vol. 187, p. 1073):—

"*The general concurrence of opinion of those who know India best is that a number of well-governed small Native States are in the highest degree advantageous to the development of the political and moral condition of the people of India.* The hon. gentleman (Mr. Laing) arguing in the strong official line seems to take the view that everything is right in British territory and everything dark in native territory. Though he can cite the case of Oudh, I venture to doubt if it could be established as a general view of India as it exists at present. If Oudh is to be quoted against Native Government, the Report of the Orissa Famine, which will be presented in a few days, will be found to be another and far more terrible instance to be quoted against English rule. *The British Government has never been guilty of the violence and illegality of Native Sovereigns. But it has faults of its own, which, though they are far more guiltless in intention, are more terrible in effect.* Its tendency to routine; its listless heavy heedlessness, sometimes the result of its elaborate organisation; a fear of responsibility, an extreme centralisation—all these results traceable to causes for which no man is culpable, *produce an amount of inefficiency which, when re-inforced by natural causes and circumstances, creates a terrible amount of misery.* All these things must be taken into consideration when you compare our elaborate and artificial system of government with the more rough and ready system of India. In cases of emergency, unless you have men of peculiar character on the spot, the simple form of oriental government will produce effects more satisfactory than the more elaborate system of English rule. I am not by this denying that our mission in India is to reduce to order, to civilise and develop the Native Government we find there.‡ But I demur to that wholesale condemnation of a system of government which will be utterly intolerable on our own soil, but which has grown up amongst the people subjected to it. It has a fitness and congenialty for them impossible for us adequately to realise, but which compensate them to an enormous degree for the material evils which its rudeness in a great many cases produces. I may mention as an instance what was told me by Sir George Clerk, a distinguished member of the Council of India, respecting the province of Kathiawar, in which the English and Native Governments are very much intermixed. There are no broad lines of frontier there, and a man can easily leap over the hedge from the Native into the English jurisdiction. Sir George Clerk told me that the Natives having little to carry with them were continually in the habit of migrating from the English into the Native jurisdiction, but that he never heard of an instance of a Native leaving his own to go into the English jurisdiction. This may be very bad taste on the part of the Natives; but you have to consider what promotes their happiness, suits their tastes, and tends to their moral development in their own way. If you intend to develop their moral nature only after an Anglo-Saxon type you will make a conspicuous and disastrous defeat." [The italics are mine.]

10. In the above extract Lord Salisbury says that the inefficiency reinforced by natural causes and circumstances create a terrible amount of misery. These natural causes and circumstances which create the terrible amount of misery are pointed out by Lord Salisbury himself, as Secretary of State for India, in a Minute (29/4/75). He says, "the injury is exaggerated "in the case of India, where so much of the revenue is "exported without a direct equivalent." And that under these causes and circumstances, the result is that "India must be bled," so that he truly shows that though under the British rule there is no personal violence, the present system of the administration of expenditure cannot but create and does "*create a* "*terrible amount of misery.*"

11. Further, the crude and defective system of administration under the old system of native rule, is all changed and cannot apply to the present administration in British India. Any alteration that may be deemed necessary to be made for remedying this "terrible amount of misery" would not involve in British India any alteration at all in the existing developed plan or system of the organisation of the administration.

12. Now the moral of the above extracts from the speeches of Lords Salisbury and Iddesleigh is clear.

13. As Lord Salisbury says, "the existence of a "well-governed Native State is a real benefit, not "only to the stability of the British rule, but more "than anything it raises the self-respect of the natives "and forms an ideal to which the popular feeling "aspires." And "that a number of well-governed "small native States are in the highest degree "advantageous to the development of the political and "moral" (I may add, the material) "condition of the "people of India." Lord Iddesleigh says on the same lines, "what we had to aim at was to establish a system "of native States, which might maintain themselves "in a satisfactory relation." And what is of far more importance, he actually inaugurated the great experiment, by which he proposed to solve the great problem, "which should at once afford a guarantee for the "good government of the people and for the security "of British rights and interests," and to which I desire to draw the attention of the Commission. In short, the lesson of the extracts is that the British Indian administration as it exists at present is positively and seriously dangerous to the British supremacy, and of terrible misery to the people; while a system of Native States will raise the people, and at the same time firmly secure the stability of the British supremacy and largely conduce to the prosperity of both countries—Britain and India.

14. Now comes the great merit—which will always be remembered by Indians with deep gratitude—of these two statesmen, Salisbury and Iddesleigh. They did not rest satisfied with mere declaration of fine and great sentiments and then sleep over them, as has been done on many an occasion to the misfortune of poor India. No, they then showed that they had the courage of their convictions and had confidence in the true statesmanship of their views. In this good work Her Majesty took a warm interest and encouraged them to carry it out. The result was the memorable—and ever to be remembered with gratitude—despatch

* The same can be said about the Muhammadans and other people.
† The greatest of them is the economic evil.
‡ This is being actually done. Every effort is being made to bring the administration of the Native States to the level of the organisation of the British system—which is not a little to the credit of the British Government.

of 16th April, 1867, of Lord Iddesleigh, for the restoration of Mysore to the native rule, notwithstanding thirty-six years of determined opposition of the authorities to that step (Parl. Ret. 239, 30/4/'67).

15. And now I come to the episode to which I have referred above, and about which I write with great gratification and gratitude, of the conduct of all the authorities in both countries and of all the Anglo-Indian officials who had any share in this good work, backed as I have said already by the good-hearted and influential interest and support of Her Majesty herself. They may have made some errors of judgment, but there was universally perfect sincerity and loyalty to the trust. Among those concerned (and whose names it is a pleasure to me to give) were, as Secretaries of State for India, Lord Iddesleigh, the Duke of Argyll, Lord Salisbury, Viscount Cranbrook, and the Duke of Devonshire (from 1867 till 1881, when the late Máhárája was invested with power); as Viceroys, Lord Lawrence, Lord Mayo, Lord Northbrook, Lord Lytton, and Lord Ripon; and lastly, the Chief Commissioners and other officials of Mysore. The chief merit in the conduct of all concerned was this, Lord Iddesleigh laid down in his despatch of 16th of April 1867:—

"Without entering upon any minute examination of the terms of the Treaties of 1799, Her Majesty's Government recognise, in the policy which dictated that settlement, a desire to provide for the maintenance of an Indian dynasty on the throne of Mysore, *upon terms which should at once afford a guarantee for the good government of the people and for the security of British rights and interests.* Her Majesty is animated by the same desire, and shares the views to which I have referred. . . . . Her Majesty desires to maintain that family on the throne in the person of His Highness's adopted son. . . . . It is therefore the intention of Her Majesty that the young Prince should have the advantage of an education suitable to his rank and position, and calculated to prepare him for the duties of administration." [The italics are mine.]

16. This being once settled, though against all previous opposition, *and necessitating the withdrawal of almost all Europeans from the Services*, all the authorities and officials concerned, to their honour and praise, instead of putting any obstacles in the way, or trying to frustrate the above intentions, discharged their trust most loyally, and with every earnestness and care and solicitude to carry the work to success. The Blue-books on Mysore from the despatch of 16th April, 1867, to the installation of the late Máhárája in 1881, is a bright chapter in the history of British India, both in the justice, righteousness, and statesmanship of the decision, and the loyalty and extreme care of every detail in carrying out that decision—with success and satisfactory results in both objects set forth in the despatch, viz., "*the good government of the people and the security of British rights and interests.*"

17. I wish the India Office would make a return on Mysore relations and affairs up to date, in continuation of Ret. No. 1 of 1881 (C. 3026), to show how the good and creditable work has been continued up to the present time. I think I need not enter here into any details of this good work from 1867 to 1881 of the British officials: the Blue-books tell all that. Of the work of the late Máhárája from 1881 till his death at the end of 1894, it would be enough for me to give a very brief statement from the last Address of the Dewan, to the Representative Assembly held at Mysore on 1st October, 1895, on the results of the late Máhárája's administration during nearly 14 years of his reign, as nearly as possible in the Dewan's words. The Máhárája was invested with power on 25th March, 1881. Just previous to it, the State had encountered a most disastrous famine by which a fifth of the population had been swept away, and the State had run into a debt of 80 lakhs of rupees to the British Government. The cash balance had become reduced to a figure insufficient for the ordinary requirements of the administration. Every source of revenue was at its lowest, and the severe retrenchments which followed had left every department of State in an enfeebled condition. Such was the beginning. It began with liabilities exceeding the assets by 30¾ lakhs, and with an annual income less than the annual expenditure by 1¼ lakhs. Comparing 1880–1 with 1894–5, the revenue rose from 103 to 180½ lakhs, or 75·24 per cent., and after spending on a large and liberal scale on all works and purposes of public utility, the nett assets amounted to over 176 lakhs in 1894–5, in lieu of the nett liability of 30¾ lakhs with which His Highness's reign began in 1881.

	Rs.
18. In 1881 the balance of State funds was	24,07,438
Capital outlay on State Railways -	25,19,198
Against a liability to the British Government of - - -	80,00 000
Leaving on 30th June, 1895, a balance of *liability* of Rs. 30¾ lakhs.	
ASSETS—	
(1.) Balance of State Funds - -	1,27,23,615
(2.) Investment on account of Railway Loan Repayment Fund - -	27,81,500
(3.) Capital outlay on Mysore Harihar Railways - - -	1,43,03.306
(4.) Capital Outlay on other Railway -	41,33,390
(5.) Unexpended portion of Capital borrowed for Mysore-Harihar Railway (with British Government) - - - -	15,79,495
	3,60,21,306
LIABILITIES—	
(1.) Local Railway Loan Rs. 20,00,000	
(2.) English Railway Loan 1,63,82,801	
	1,83,82,801
Net Assets - - - -	Rs. 1,76,38,505
ADD OTHER ASSETS—	
Capital outlay on original Irrigation Works - Rs. 99,08,935	

19. Besides the above expenditure from current revenue, there is the subsidy to the British Government of about Rs. 25,00,000 a year, or a total of about Rs. 3,70,00,000 in the fifteen years from 1880–1 to 1894–5, and the Máhárája's civil list of about Rs. 1,80,00,000, during the fifteen years also paid from the current revenue. And all this together with increase in expenditure in every department. Under the circumstances above described, the administration at the start of His Highness's reign was necessarily very highly centralised. The Dewan, or the executive administrative head, had the direct control, without the intervention of departmental heads of all the principal departments, such as the Land Revenue, Forests, Excise, Mining, Police, Education, Mujroyi, Legislative. As the finances improved, and as department after department was put into good working order and showed signs of expansion, separate heads of departments were appointed, for Forests and Police in 1885, for Excise in 1889, for Mujroyi in 1891, and for Mining in 1894. His Highness was able to resolve upon the appointment of a separate Land Revenue Commissioner only in the latter part of 1894. Improvements were made in other departments —Local and Municipal Funds, Legislation, Education, &c.

20. And all the above good results are side by side with an increase of population of 18·34 per cent. in the 10 years from 1881 to 1891, and there is reason to believe that during the last four years the ratio of increase was even higher. During the fourteen years the rate of mortality is estimated to have declined 6·7 per mille.

21. But there is still the most important and satisfactory feature to come, viz., that all this financial prosperity was secured *not by resort to new taxation in any form or shape.* In the very nature of things the present system of administration and management of Indian expenditure in British India cannot ever produce such results, even though a Gladstone undertook the work. Such is the result of good administration in a native state at the very beginning. What splendid prospect is in store for the future if, as heretofore, it is allowed to develop itself to the level of the British system with its own native services, and not drained as poor British India is.

22. Lord Iddesleigh is dead (though his name will never be forgotten in India, and how he would have rejoiced!), but well may Her Majesty, Lord Salisbury, and all others concerned in it, and the British people, be proud of this brilliant result of a righteous and statesmanlike act, and may feel secure of the sincere and solid loyalty, gratitude, and attachment of the rulers and people of Mysore to the British supremacy.

23. Here, then, is the whole problem of the right and natural administration of expenditure, &c., and stability of British supremacy was solved, and that most successfully, by Lords Salisbury and Iddesleigh. It is now clear, by actual facts and operation, that the present system of expenditure, in all aspects of the

Administration of British India, is full of evil to the people and danger to British supremacy, while, on the other hand, "a number of well-governed native states" under the active control and supremacy of Britain will be full of benefit and blessing both to Britain and India and a firm foundation for British supremacy. And all this prophesy of Lords Salisbury and Iddesleigh has been triumphantly fulfilled. Lord Iddesleigh set to himself the problem "which should "at once afford a guarantee for the good government "of the people and for the security of British rights "and interests," and most successfully solved it.

24. The obvious conclusion is that the only natural and satisfactory relations between an alien supremacy and the people of India can be established on this basis alone. There are these obvious advantages in these relations:—

25. The British supremacy becomes perfectly secure and founded upon the gratitude and affection of the people, who, though under such supremacy would feel as being under their own rulers and as being guided and protected by a mighty supreme power.

26. Every State thus formed, from the very nature of its desire for *self-preservation*, will cling to the supreme power as its best security against disturbance by any other State.

The division in a number of States becomes a natural and potent power for good in favour of the stability of the British supremacy. There will be no temptation to any one state to discard that supremacy, while, on the other hand, the supreme Government, having complete control and power over the whole government of each State, will leave no chance for any to go astray. Every instinct of self-interest and self-preservation, of gratitude, of high aspirations, and of all the best parts of human nature, will naturally be on the side and in favour of British supremacy, which gave birth to these States. There will be an emulation among them to vie with each other in governing in the best way possible, under the eye and control of the supreme Government on their actions, leaving no chance for misgovernment. Each will desire to produce the best administration report every year. In short, this natural system has all the elements of consolidation of British power, of loyalty, and stability, and of prosperity of both countries. On the other hand, under the present system, all human nature and instincts are tending against you, and must inevitably end in disintegration, rebellion, and disaster. No grapes from thistles! I hope and pray that this Commission will rise to the height of its mission, and accomplish it, to the glory of this country and the prosperity of both.

27. I must not be misunderstood. When I use the words, "Native States," I do not for a moment mean that these new States are to revert to the *old* system of government of Native rule. Not at all. The system of all departments that exists at present—the whole mode of government must not only remain as it is, but must go on improving till it reaches as nearly as possible the level of the more complete mode of British government that exists in this country. The change to be made is, that these States are to be governed by Native agency, on the same lines as at present, by employing, as the Duke of Devonshire says, "the best and most intelligent of the Natives," or as Lord Iddesleigh says, "all that was great and good in them."

28. One question naturally presents itself. Are new dynastic Indian Rajahs to be created for these new States? That is a question that men like Lord Salisbury himself and the Indian authorities are best able to answer. There may be difficulties in dynastic succession. If so, the best mode of the headship under some suitable title of these States may be by appointment by Government, and aided by a representative council. This mode has certain evident advantages, viz., questions of dynastic succession may be avoided, Government will be free to secure the best man for the post, and Government will then have complete control over the States, especially with an English Resident, as in all Native States at present. If thought necessary, this control may be made still more close by having at the beginning for some time an English joint administrator instead of a Resident.

29. Sir Charles Dilke has, in one of his letters to me, said:—

"I also agree as to reduction of Europeans (so far as the non-military people go). Indeed, I agree *without* limit, and would substitute for our direct rule a military protectorate of Native States, as I have often said."

30. In another letter to me, which is published in the September number of "India," in 1893, Sir Charles dwells upon the same subject at some length, proposing to follow up the case of 'Mysore and to divide India into a number of Native States.

31. With regard to the financial relations between Britain and India, whether for military or civil charges, I have already expressed my views in my last representation. I would not, therefore, make any further remarks here.

32. Once this natural and righteous system of government by Native agency is adopted, so as to make the administration of expenditure fully productive of good results to both countries, I may with every confidence hope that the authorities, as in the case of Mysore, will loyally and scrupulously do their best to carry out the plan to success by establishing in India every necessary machinery for preparation, examinations, and tests of character, and fitness of the Indians "to (as Lord "Iddesleigh says) develop the system of Native government, to bring out Native talent and statesmanship, "and to enlist in the cause of government all that was "great and good in them."

33. The prevention and cure of the evils of the present material and moral exhaustion, arising from the existing system of the administration and management of expenditure, from unjust financial relations between the two countries, and for the redemption of the honour of this country from the violation of the most solemn and binding pledges, are absolutely necessary, if India is to be well governed, if British supremacy is to be made *thoroughly stable*, and if both countries are to be made prosperous by a market for trade of nearly 300,000,000 of civilised and prosperous people.

34. I do not here consider any other plan of Government to secure effectively the double object laid down by Lord Iddesleigh, because I think the plan proposed and carried out by Lord Salisbury and him, is the most natural and the best, and most secure for the continuance of British supremacy.

35. I also do not enter into any details, as all possible difficulties of details, and the means by which they were overcome, are all recorded in the Mysore Blue-books.

36. I submit to the Commission that unless the patriotism and prosperity of the people of India are drawn to the side of British supremacy, no plan or mode of government, under the existing system of expenditure, will be of any good either to British supremacy or to the Indian people. Evil and peril to both is the only dismal outlook. On the other hand, a number of Native States, according to the noble views and successful work of Lords Salisbury and Iddesleigh, will contribute vastly both to the gain and glory of the British people, to vast expansion of trade, and to the prosperity and affection of the Indian hundreds of millions of the human race.

37. If India is thus strengthened in prosperity, and patriotically satisfied in British supremacy, I cannot feel the least fear of Russia ever dreaming of invading India. Without any military help from England, and without any large European army, India will be all sufficient in itself to repel any invasion, and to maintain British supremacy for her own and Britain's sake.

38. I hope earnestly that this Commission will, as Sir Louis Mallet has urged, grapple with the disease of the evil results of the present system of expenditure, instead of, like other past Commissions and Committees, keeping to the habit of merely palliating symptoms. I do not much intervene in examining details of departmental expenditure, such examination at proper intervals, as used to be the case in the time of the Company, serves the important purpose of keeping the Government up to mark, in care of expenditure. But unless the whole Government is put on a natural basis, all examinations of details of departmental expenditures, will be only so much "palliating with symptoms," and will bring no permanent good and strength either to the Indian people or to the British supremacy.

39. I offer to be cross-examined on all my representations.

40. As before. I shall send a copy of this to every member of the Commission.

Yours truly,
DADABHAI NAOROJI.

EXTRACT from LETTER of 31st January 1897, which is omitted.

DEAR LORD WELBY,

41. I request you kindly to put before the Commission this, my sixth, representation on the subjects of our inquiry.

42. Nobody can more appreciate the benefits of the British connection than I do. Education in particular, appreciation of and desire for British political institutions, law and order, freedom of speech and public meeting, and several important social reforms. All these are the glory of England and gratitude of India. I am most sincerely ready to accord my gratitude for any benefit which Britain can rightly claim.

43. But, while looking at one side, justice demands that we look at the other side also. And the main object of this Commission is to see the other side of the system of the administration and management of expenditure and right apportionment.

44. It must be remembered that while education and law and order have been beneficial to the Indians of British India they were also most essential to the very existence of the British in India. Only that while these benefits have been to both Britain and British India, the cost has been *all* exacted from the Indians.

45. The British Empire in India is built up entirely with the money of India, and, in great measure, by the blood of India. Besides this, hundreds of millions, or, more probably, several thousands of millions (besides what is consumed in India itself by Europeans and their careers of life) of money, which Britain has unceasingly, and ever increasingly, drawn from British Indians, and is still drawing, has materially helped to make Britain the greatest, the richest, and most glorious country in the world—benefitting her material condition so much, that even when there is a general and loud cry of depression in agriculture, &c., the Chancellor of the Exchequer is rejoicing that his income tax is marvellously increasing because of the continuous flow of wealth from India; while British India in its turn is reduced to "extreme poverty."

* * *

46. It must be borne in mind that all the loans made to India form a part of the imports, and are already paid for and included in that portion of the exports which is equal to the total imports, the "net exports" being, *after* allowing for *all* imports, including loans. Otherwise, if these loans were deducted from the imports, the "net exports" will be so much larger. The foreign capitalists not only make profits with their own capital, but they draw even their capital from the taxation of the poor people themselves. The following words of Sir James Westland in the telegram of the *Times* of 18th December last will explain what I mean:—

"Sir J. Westland then explained how closely connected the Money Market of India was with the Government balances almost as the available capital employed in commerce practically being in those balances. . . . A crore and a half, which under normal conditions would have been at headquarters in Calcutta and Bombay, and been placed at the disposal of the mercantile community for training purposes."

* * * * *

47. Before I proceed further, let me clear up a strange confusion of ideas about prosperous British India and poverty-stricken British India. This confusion of ideas arises from this circumstance. My remarks are for British India only.

48. In reality there are two Indias—one the prosperous, the other poverty-stricken.

49.—(1) The prosperous India is the India of the British and other foreigners. They benefit in India as officials, non-officials, capitalists, in a variety of ways, and carry away enormous wealth to their own country. To them India is, of course, rich and prosperous. The more they can carry away, the richer and more prosperous India is to them. These British and other foreigners cannot understand and realise why India can be called "extremely poor," when they can make their life careers; they can draw so much wealth from it and enrich their own country. It seldom occurs to them, if at all, what all that means to the Indians themselves.

50.—(2) The second India is the India of the Indians—the poverty-stricken India. This India, exhausted in every way of their wealth, of their services, of their land, labour, and all resources by the foreigners, helpless and voiceless, governed by the arbitrary law and argument of force, this India of the Indians becomes the "poorest" country in the world, after one hundred and fifty years of British rule. The greater the drain, the greater the impoverishment, resulting in all the scourges of war, famine and pestilence. If this distinction of the "prosperous India" and the "poverty-stricken India" be carefully borne in mind, a great deal of the controversy on this point will be saved. Britain can, by a righteous system, make both Indias prosperous. The great pity is that the Indian authorities do not or would not see it.

APPENDIX F.

Employment of Indians in the Higher Grades.

Washington House,
72, Anerley Park, S.E.

Dear Lord Welby, November 3rd, 1897.

1. I now give my statement on the Admission of Natives to the Covenanted Civil Service in India, as promised by me at the meeting of the Commission on 21st July last, and request you to place it before the Commission. I shall send a copy to the members.

2. If required, I shall give any further statement I can on any particular point that may require to be more elucidated. I shall be willing to be cross-examined if required.

3. The first deliberate and practical action was taken by Parliament in the year 1833.

4. All aspects of the whole question of all services were then fully discussed by eminent men; and a Committee of the House made searching inquiry into the whole subject.

5. I give below extracts from what was said on that occasion, and a definite conclusion was adopted.

6. I am obliged to give some of the extracts at length, because it must be clearly seen on what statesmanlike and far-seeing grounds this conclusion was arrived at.

7. The italics all through are mine, except when I say that they are in the original.

East India Company's Charter,
Hansard, Vol. XIX., Third Series, p. 169.
July 5th, 1833.

8. The Marquis of Lansdowne: "But he should be taking a very narrow view of this question, and one utterly inadequate to the great importance of the subject, which involved in it the happiness or misery of 100,000,000 of human beings, were he not to call the attention of their lordships *to the bearing which this question and to the influence which this arrangement must exercise upon the future destinies of that vast mass of people.* He was sure that their lordships would feel, as he indeed felt, that their only justification before God and Providence for the great and unprecedented dominion which they exercised in India was in the happiness which they communicated to the subjects under their rule, and in proving to the world at large and to the inhabitants of Hindustan that the inheritance of Akbar (the wisest and most beneficent of Mahomedan princes) had not fallen into unworthy or degenerate hands. Hence it was important that when the dominion of India was transferred from the East India Company to the King's Government they should have the benefit of the experience of the most enlightened councillors, not only on the financial condition of our empire in the East but also on the character of its inhabitants. He stated confidently, after referring to the evidence given by persons eminently calculated to estimate what the character of the people of India was, that they must, as a first step to their improved social condition, be admitted to a larger share in the administration of their local affairs. On that point their lordships had the testimony of a series of successful experiments and the evidence of the most unexceptionable witnesses who had gone at a mature period of their life and with much natural and acquired knowledge to visit the East. Among the crowd of witnesses which he could call to the improvable condition of the Hindu character he would select only two; but those two were well calculated to form a correct judgment, and fortunately contemplated Indian society from very different points of view. Those two witnesses were Sir Thomas Monro and Bishop Heber. He could not conceive any two persons more eminently calculated to form an accurate opinion upon human character, and particularly upon that of the Hindu tribes. They were both highly distinguished for talent and integrity, yet they were placed in situations from which they might have easily come to the formation of different opinions—one of them being conversant with the affairs of the East from his childhood and familiarised by long habit with the working of the system, and the other being a refined Christian philosopher and scholar going out to the East late in life, and applying in India the knowledge which he had acquired here to form an estimate of the character of its inhabitants. He held in his hand the testimony of each of those able men, as extracted from their different published works, and with the permission of the House he would read a few words from both. Sir T. Monro, in speaking of the Hindu character, said: 'Unless we suppose that they are inferior to us in natural 'talent, which there is no reason to believe, it is much 'more likely that they will be duly qualified for their 'employments than Europeans for theirs—because the 'field of selection is so much greater in the one than 'in the other. We have a whole nation from which to 'make our choice of natives, but in order to make 'choice of Europeans we have only the small body of 'the Company's covenanted servants. No conceit more 'wild and absurd than this was ever engendered in the 'darkest ages; for what is in every age and in every 'country the great stimulus to the pursuit of know-'ledge but the prospect of fame or wealth or power? 'Or what is even the use of great attainments if they 'are not to be devoted to their noblest purpose, the 'service of the community, by employing those who 'possess them according to their respective qualifica-'tions in the various duties of the public administration 'of the country? Our books alone will do little or 'nothing; dry simple literature will never improve the 'character of a nation. To produce this effect it must 'open the road to wealth and honour and public em-'ployment. Without the prospect of such reward no 'attainments in science will ever raise the character 'of a people.' That was the sound practical opinion of Sir T. Monro, founded on his experience acquired in every part of India, in every department of the public service. Bishop Heber, during his extensive journey of charity and religion through India, to which he fell at length a martyr, used these remarkable expressions: 'Of the natural disposition of the Hindu I still see 'abundant reason to think highly, and Mr. Bayley and 'Mr. Melville both agreed with me that they are 'constitutionally kind-hearted, industrious, sober, and 'peaceable; at the same time that they show them-'selves on proper occasions a manly and courageous 'people.' And again: 'They are decidedly by nature 'a mild, pleasing, and intelligent race, sober, parsi-'monious, and, where an object is held out to them, 'most industrious and persevering.' Their lordships' were therefore justified in coming to the same conclu-sion—a conclusion to which, indeed, they must come if they only considered the acts of this people in past ages—if they only looked at the monuments of grati-tude and piety which they had erected to their bene-factors and friends—for to India, if to any country, the observation of the poet applied:

'Sunt hic etiam sua præmia laudi,
Sunt lacrymæ rerum, et mentem mortalia tangunt.'

But, however much civilisation had been obscured in those regions, whatever inroads foreign conquest and domestic superstition had made upon their moral habits, it was undeniable that they had still materials left for improving and ameliorating their condition; and their lordships would be remiss in the performance of the high duties which devolved upon them if they did not secure to the numerous natives of Hindustan the ample development of all their mental endowments and moral qualifications. *It was a part of the new system which he had to propose to their lordships that to every office in India every native, of whatsoever caste, sect, or religion, should by law be equally admissible, and he hoped that Government would seriously endeavour to give the fullest effect to this arrangement, which would be as beneficial to the people themselves as it would be advantageous to the economical reforms which were now in progress in differ-ent parts of India.*"

. . . . .

9. (*Page* 174, *July* 5*th*, 1833.)—"And without being at all too sanguine as to the result of the following up those principles without calculating upon any extension of territory through them, he was confident *that the strength of the Government would be increased by the ha piness of the people over whom it presided, and by the p lment of those nations to it.*"

Vol. XIX., Third Series, p. 533.
July 10th, 1833.

10. Mr. MACAULAY: "I have detained the House so long, Sir, that I will defer what I had to say in some parts of this measure—important parts, indeed, but far less important as I think than those to which I have adverted, till we are in Committee. There is, however, one part of the Bill on which, after what has recently passed elsewhere, I feel myself irresistibly impelled to say a few words. *I allude to that wise, that benevolent, that noble clause, which enacts that no Native of our Indian Empire shall, by reason of his colour, his descent, or his religion, be incapable of holding office.* At the risk of being called by that nickname which is regarded as the most opprobrious of all nicknames by men of selfish hearts and contracted minds—at the risk of being called a philosopher—*I must say that, to the last day of my life, I shall be proud of having been one of those who assisted in the framing of the Bill which contains that clause.* We are told that the time can never come when the natives of India can be admitted to high civil and military office. We are told that this is the condition on which we hold our power. We are told that we are bound to confer on our subjects—every benefit which they are capable of enjoying?—no—which it is in our power to confer on them?—no—but which we can confer on them without hazard to our own domination. *Against that proposition I solemnly protest as inconsistent alike with sound policy and sound morality.*

11. "I am far, very far, from wishing to proceed hastily in this most delicate matter. I feel that, for the good of India itself, the admission of Natives to high office must be effected by slow degrees. But that, when the fulness of time is come, when the interest of India requires the change, we ought to refuse to make that change lest we should endanger our own power;—this is a doctrine which I cannot think of without indignation. Governments, like men, may buy existence too dear. '*Propter vitam vivendi perdere causas,*' *is a despicable policy either in individuals or in states. In the present case, such a policy would be not only despicable, but absurd.* The mere extent of empire is not necessarily an advantage. To many Governments it has been cumbersome; to some it has been fatal. It will be allowed by every statesman of our time, that the prosperity of a community is made up of the prosperity of those who compose the community, and that it *is the most childish ambition to covet dominion which adds to no man's comfort or security.* To the great trading nation, to the great manufacturing nation, no progress which any portion of the human race can make in knowledge, in taste for the conveniences of life, or in the wealth by which those conveniences are produced, can be matter of indifference. It is scarcely possible to calculate the benefits which we might derive from the diffusion of European civilisation among the vast population of the East. *It would be, on the most selfish view of the case, far better for us that the people of India were well governed and independent of us, than ill-governed and subject to us*—that they were ruled by their own kings, but wearing our broad cloth, and working with our cutlery, than that they were performing their salaams to English collectors and English magistrates, but were too ignorant to value, or too poor to buy English manufactures. To trade with civilised men is infinitely more profitable than to govern savages. *That would indeed be a doting wisdom, which, in order that India might remain a dependency, would keep it an useless and costly dependency—which would keep a hundred millions of men from being our customers in order that they might continue to be our slaves.*

12. "It was, as Bernier tells us, the practice of the miserable tyrants, whom he found in India, when they dreaded the capacity and spirit of some distinguished subject, and yet could not venture to murder him, to administer to him a daily dose of the pousta, a preparation of opium, the effect of which was in a few months to destroy all the bodily and mental powers of the wretch who was drugged with it, and to turn him into an helpless idiot. *That detestable artifice, more horrible than assassination itself,* was worthy of those who employed it. *It is no model for the English nation. We shall never consent to administer the pousta to a whole community—to stupefy and paralyse a great people, whom God has committed to our charge, for the wretched purpose of rendering them more amenable to our control.* What is that power worth which is founded on vice, on ignorance, and on misery—which we can hold only by violating the most sacred duties which as governors we owe to the governed—which as a people blessed with far more than an ordinary measure of political liberty and of intellectual light—we owe to a race debased by three thousand years of despotism and priestcraft? *We are free, we are civilised, to little purpose, if we grudge to any portion of the human race an equal measure of freedom and civilisation.*

13. "Are we to keep the people of India ignorant in order that we may keep them submissive? Or do we think that we can give them knowledge without awakening ambition? Or do we mean to awaken ambition and to provide it with no legitimate vent? Who will answer any of these questions in the affirmative? Yet one of them must be answered in the affirmative, by every person who maintains that we ought permanently to exclude the natives from high office. *I have no fears. The path of duty is plain before us: and it is also the path of wisdom, of national prosperity, of national honour.*

14. "The destinies of our Indian empire are covered with thick darkness. It is difficult to form any conjecture as to the fate reserved for a state which resembles no other in history, and which forms by itself a separate class of political phenomena. The laws which regulate its growth and its decay are still unknown to us. It may be that the public mind of India may expand under our system till it has outgrown that system; that by good government we may educate our subjects into a capacity for better government, that, having become instructed in European knowledge, they may, in some future age, demand European institutions. Whether such a day will ever come, I know not. *But never will I attempt to avert or to retard it. Whenever it comes, it will be the proudest day in English history.* To have found a great people sunk in the lowest depths of slavery and superstition, to have so ruled them as to have made them desirous and capable of all the privileges of citizens would indeed be a title *to glory all our own.* The sceptre may pass away from us. Unforeseen accidents may derange our most profound schemes of policy. Victory may be inconstant to our arms. *But there are triumphs which are followed by no reverses. There is an empire exempt from all natural causes of decay. Those triumphs are the pacific triumphs of reason over barbarism; that empire is the imperishable empire of our arts and our morals, our literature, and our law.*"

15. After such exhaustive consideration from all political, Imperial, and social aspects, the following—"that wise, that benevolent, that noble clause"—was deliberately enacte dby the Parliament of this country, worthy of the righteousness, justice, and noble instincts of the British people, in the true British spirit.

3 and 4 William IV, cap. 85. 1833.

16. "That no native of the said territories, nor any natural-born subject of his Majesty resident therein shall, by reason only of his religion, place of birth, descent, colour, or any of them, be disabled from holding any place, office or employment under the said Company."

Ret. C—2376, 1879, p. 13.

17. "The Court of Directors interpreted this Act in an explaining despatch in the following words:—'The Court conceive this section to mean that *there shall be no governing caste in British India;* that whatever other tests of qualification may be adopted, distinction of race or religion shall not be of the number; that no subject of the King, whether of Indian or British or mixed descent, shall be excluded from the post usually conferred on uncovenanted servants in India, *or from the Covenanted Service itself,* provided he be otherwise eligible.'"

18. After this explanation by the Court of Directors, how did they behave?

During the twenty years of their Charter, to the year 1853, they made the Act and their own explanation a complete dead letter. They did not at all take any steps to give the slightest opportunity to Indians for a single appointment to the Covenanted Civil Service, to which my statement chiefly refers; though the British people and Parliament are no party to this unfaithfulness, and never meant that the Act should remain a sham aud delusion.

19. Twenty years passed, and the revision of the Company's Charter again came before Parliament in 1853; and if anything was more insisted on and bewailed than another, it was the neglect of the authorities to give effect to the Act of 1833. The principles of 1833 were more emphatically insisted on. I would just give a few extracts from the speeches of some of the most eminent statesmen, in the debate on the Charter.

Hansard, Vol. 127, p. 1,184.
June 3rd, 1853.

20. Mr. BRIGHT: "Another subject requiring close attention on the part of Parliament was the employment of the natives of India in the service of the Government. The right hon. member for Edinburgh (Mr. Macaulay), in proposing the India Bill of 1833 had dwelt on one of its clauses, which provided that neither colour nor caste nor religion nor place of birth should be a bar to the employment of persons by the Government; whereas, as matter of fact, from that time to this no person in India had been so employed who might not have been equally employed before that clause was enacted; and from the statement of the right hon. gentleman the President of the Board of Control, that it was proposed to keep up the Covenanted Service system, it was clear that this most objectionable and most offensive state of things was to continue. Mr. Cameron, a gentleman thoroughly versed in the subject, as fourth Member of Council in India, President of the Indian Law Commission, and of the Council of Education for Bengal—what did he say on this point? He said: 'The statute of 1833 made the 'natives of India *eligible to all offices* under the Com- 'pany. But during the twenty years that have since 'elapsed not one of the natives has been appointed 'to any offices except such as they were eligible to 'before the statute.'"

Hansard, Vol. 128, p. 759. 1853.

21. MACAULAY said: "In my opinion we shall not secure or prolong our dominion in India by attempting to exclude the natives of that country from a share in its government."—(*Contemporary Review*, June, 1883, p. 803).

Hansard, Vol. 129, p. 684.
July 22nd, 1853.

22. Lord STANLEY: "He could not refrain from expressing his conviction that, in refusing to carry on examinations in India as well as in England—a thing that was easily practicable—the Government were, in fact, negativing that which they declared to be one of the principal objects of their Bill, and confining the Civil Service, as heretofore, to English men. *That result was unjust, and he believed it would be most pernicious.*"

Hansard, Vol. 129, p. 784.
July 25th, 1853.

23. Lord STANLEY: "Let them suppose, for instance, that instead of holding those examinations here in London, that they were to be held in Calcutta. Well, how many Englishmen would go out there—or how many would send out their sons, perhaps to spend two or three years in the country on the chance of obtaining an appointment! *Nevertheless, that was exactly the course proposed to be adopted towards the natives of India.*"

Hansard, Vol. 129, p. 778.
July 25th, 1853.

24. Mr. BRIGHT said: "That the motion now before the Committee involved the question which had been raised before during these discussions, but which had never been fairly met by the President of the Board of Control, namely, whether the clause in the Act of 1833, which had been so often alluded to, had not up to this time been altogether a nullity. If any doubt had been entertained with respect to the object of that clause, it would be removed by reference to the answers given by the then President of the Board of Control to the hon. member for Montrose and to the speech of the right hon. gentleman the present member for Edinburgh (Mr. Macaulay), in both of which it was distinctly declared that the object was to break down the barriers which were supposed to exist to the admission of the natives as well as Europeans to high offices in India. And yet there was the best authority for saying that nothing whatever had been done in consequence of that clause. He (Mr. Bright) did not know of a single case where a Native of India had been admitted to any office since that time, more distinguished or more highly paid than he would have been competent to fill had that clause been not passed."

Hansard, Vol. 129, p. 1,335.
August 5th, 1853.

25. Earl GRANVILLE: "I, for one, speaking individually, have never felt the slightest alarm at natives, well-qualified and fitted for public employments, *being employed in any branch of the public service of India.*"

26. Thus began the second chapter of this melancholy history with the continuation of the same spirit of selfishness which had characterised the previous twenty years, with the clear knowledge of the gross injustice to the Indians by not allowing them the same facility as was allowed to English youths, by simultaneous examinations in India and England. This injustice continued till the second chapter ended in the Mutiny of 1857, and the rule passed from the Company to the Crown.

27. The third chapter from that time began again with the revival of great hopes—that, however unfortunate and deplorable the Mutiny was, one great good sprang from that evil. The conscience of the British people was awakened to all previous injustice by their servants, and to a sense of their own duty. A new era opened, brighter, far brighter, than even that of the Act of 1833.

28. Not only was the Act of 1833 allowed to continue a living reality, at least in word, but in directing the mode of future services the Act of 1858 left it comprehensively open to adopt any plan demanded by justice. It did not indicate in the slightest degree prevention or exclusion of Indians from *any* service or from simultaneous examinations in India and England, or of any mode of admission of Indians into the Covenanted Civil Service, or of doing equal justice to all her Majesty's natural-born subjects. I shall show further on the interpretation by the Civil Service Commissioners themselves.

29. The sections of the Act of 1858 are as follows:—

1.—21-22 Vic., Cap. 106, "An Act for the better Government of India (2nd August, 1858). Section 32 provides that:

"With all convenient speed after the passing of this Act, regulations shall be made by the Secretary of State in Council, with the advice and assistance of the Commissioners for the time being acting in execution of Her Majesty's Order in Council of Twenty-first *May*, One thousand, eight hundred, and fifty-five, 'for regu- 'lating the admission of persons to the Civil Service 'of the Crown,' for admitting all persons being natural-born subjects of her Majesty (and of such age and qualification as may be prescribed in this behalf) who may be desirous of becoming candidates for appointment to the Civil Services of *India* to be examined as candidates accordingly, and for prescribing the branches of knowledge in which such candidates shall be examined, and generally for regulating and conducting such examinations under the superintendence of the said last-mentioned Commissioners, or of the persons for the time being intrusted with the carrying out of such regulations as may be from time to time established by her Majesty for examination, certificate, or other test of fitness in relation to appointments to junior situations in the Civil Services of the Crown, and the candidates who may be certified by the said Commissioners or other persons as aforesaid to be entitled under such regulations shall be recommended for appointment according to the order of their proficiency as shown by such examinations, and such persons only as shall have been so certified as aforesaid shall be appointed or admitted to the Civil Services of *India* by the Secretary of State in Council: Provided always, that all regulations to be made by the said Secretary of State in Council under this Act shall be laid before Parliament within fourteen days after the making thereof, if Parliament be sitting, and, if Parliament be not sitting, then within fourteen days after the next meeting thereof."

30.—2. The same Act, Cap. 106, Sect. 34, provides:—

"With all convenient speed after the commencement of this Act, regulations shall be made for admitting any persons *being natural-born subjects of Her Majesty* (and of such age and qualifications as may be prescribed in this behalf) who may be desirous of becoming candidates for cadetships in the Engineers and in the Artillery, to be examined as candidates accordingly, and for prescribing the branches of knowledge in which such candidates shall be examined, and generally for regulating and conducting such examinations."

31. Though this Section does not impose any disability on an Indian—for it provides for "any persons being "natural-born subjects of Her Majesty"—yet an Indian is totally excluded from such examination. As I have already placed before the Commission my correspondence with the War Office, I need not say more.

32.—3. Sections 35 and 36 provide:—

"Not less than one-tenth of the whole number of persons to be recommended in any year for military cadetships (other than cadetships in the Engineers and

Artillery) shall be selected according to such regulations as the Secretary of State in Council may from time to time make in this behalf from among the sons of persons who have served in India in the military or civil services of Her Majesty, or of the East India Company."

33. "Except as aforesaid, all persons to be recommended for military cadetships shall be nominated by the Secretary of State and Members of Council, so that out of seventeen nominations the Secretary of State shall have two and each Member of Council shall have one; but no person so nominated shall be recommended unless the nomination be approved of by the Secretary of State in Council."

34. In these sections also there is no exclusion of Indians.

35. But the Sovereign and the people did not rest even by such comprehensive enactment by Parliament. They explicitly emphasised and removed any possible doubt with regard to the free and equal treatment of all her Majesty's natural-born subjects without any distinction of race, colour, or creed.

36. Thus, on the 1st November, 1858, followed the great and glorious Proclamation by the Sovereign on behalf of the British people: our complete "great charter" of our national and political rights of British citizenship and of perfect equality in all the services of the Sovereign—a proclamation the like of which had never been proclaimed in the history of the world under similar circumstances.

Here are the special clauses of that Proclamation:

37. "We hold ourselves bound to the natives of our Indian territories by the *same obligations of duty which bind us to all our other subjects*, and those obligations, by the blessing of Almighty God, we shall *faithfully and conscientiously* fulfil."

38. "And it is our further will that, so far as may be, our subjects, of whatever race or creed, be freely and impartially admitted to offices in our service the duties of which they may be qualified, by their education, ability, and integrity, duly to discharge."

39. "When by the blessing of Providence, internal tranquillity shall be restored, it is our earnest desire * * * to administer government for the benefit of all our subjects resident therein. *In their prosperity will be our strength, in their contentment our security*, and *in their gratitude our best reward. And may the God of all Power grant to us, and to those in authority under us, strength to carry out these our wishes for the good of our people.*"

40. Such was the noblest Proclamation of 1858. What more could we ask, and what bonds of gratitude and affection, and what vast benefits to both countries, were expected to tie us to the connection with Britain by a loyal and honourable fulfilment of it?

41. Yes, I was in Bombay when this glad—I may almost say divine—message to India was proclaimed there to a surging crowd. What rejoicings, what fireworks, illuminations, and the roar of cannon! What joy ran through the length and breadth of India, of a second and firm emancipation, of a new British political life, forgetting and forgiving all the past evil and hoping for a better future! What were the feelings of the people! How deep loyalty and faith in Great Britain was rekindled! It was said over and over again: Let this Proclamation be faithfully and conscientiously fulfilled, and England may rest secure and in strength upon the gratitude and contentment of the people—as the Proclamation had closed its last words of prayer.

42 Now, when I look back to-day to that day of joy, how I feel how all this was doomed to disappointment. However, I must proceed with the sad tale.

43. Not long after Her Majesty's Proclamation of 1858, a Committee was appointed by the Secretary of State for India of the following members of his own Council: Sir J. P. Willoughby, Mr. Mangles, Mr. Arbuthnot, Mr. Macnaghten, and Sir Erskine Perry—all Anglo-Indians. This Committee made its report on 20th January, 1860, from which I give the following extracts on the subject of the pledge of the Act of 1833:—

44. "2. We are in the first place *unanimously* of opinion that it is not only just, but expedient, that the nativesof India shall be employed in the administration of India to as large an extent as possible consistently with the maintenance of British supremacy, and have considered whether any increased facilities can be given in this direction.

45. "3. It is true that, even at present, no positive disqualification exists. By Act 3 and 4 Wm. IV, cap. 85, sec. 87, it is enacted, 'that no native of the said 'territories nor any natural-born subject of his Majesty 'resident therein shall, by reason only of his religion, 'place of birth, descent, colour, or any of them, be 'disabled from holding any place, office or employment 'under the said Company.' It is obvious, therefore, that when the competitive system was adopted, it could not have been intended to exclude natives of India from the Civil Service of India.

46. "4. Practically, however, they are excluded. The law declares them eligible, but the difficulties opposed to a native leaving India and residing in England for a time, are so great, that, as a general rule, it is almost impossible for a native successfully to compete at the periodical examinations held in England. *Were this inequality removed we should no longer be exposed to the charge of keeping promise to the ear, and breaking it to the hope.*

47. "5. Two modes have been suggested by which the object in view might be attained. The first is, by alloting a certain portion of the total number of appointments declared in each year to be competed for in India by natives, and by all other natural-born subjects of her Majesty resident in India. The second is, to hold simultaneously two examinations, one in England, and one in India, both being, as far as practicable, identical in their nature, and those who compete in both countries being finally classified in one list according to merit, by the Civil Service Commissioners. The Committee have *no hesitation in giving the preference to the second scheme*, as being the *fairest*, and the most in accordance with the principles of a general competition for a common object.

48. "6. In order to aid them in carrying out a scheme of this nature, the Committee have consulted the Civil Service Commission, and, through the favour of Sir Edward Ryan, they have obtained a very able paper, in which the advantages and disadvantages of either plan are fully and lucidly discussed. They would solicit your careful consideration of this document, and will only, in conclusion, add that, in the event of either of the plans being adopted, it will be requisite to provide for the second examination of successful competitors in India, as nearly as possible resembling that now required in England. The Civil Service Commissioners do not anticipate much difficulty in arranging for this. The Committee, however, are decidedly of opinion that the examination papers on which the competition is to proceed in India and England should be identical; but they think, in justice to the natives, that three colloquial Oriental languages should be added to the three modern European languages, so as to give the candidates the opportunity of selection."

49. I asked the India Office to give me a copy of the "very able paper" of the Civil Service Commission above referred to. The India Office refused to give it to me. I was allowed to see it in the India Office, and I then asked to be allowed to take a copy of it myself there and then. This even was refused to me. I ask this Commission that this Report be obtained and be added here. I say from memory that the Commissioners said that no new legislation was necessary, hereby adding the words—Calcutta, Madras, and Bombay in the Regulations was enough to carry on examinations simultaneously in India and England.

50. The above forms a part of the Report, the other part being a consideration of the advantages and disadvantages of an "exclusive" Covenanted Civil Service. With this latter part I have nothing to do here. The first part quoted above about the admission of natives into the Covenanted Civil Service was never as far as I know published.

51. It is a significant fact that the Report of the public Service Commission on the two subjects of the so-called "Statutory" Service and simultaneous examinations being in accordance with (what I believe and will show further on) the determined foregone conclusions of the Government of India and the Secretary of State, was published and is being repeatedly used by Government in favour of their own proceedings, while the Report of 1860 of the Committee of five Members of Council of the Secretary of State for India, was not only never published by Government as far as I

know, but even omitted in the Return made in 1879 on "Civil Service" (Return [C. 2376] 1879). Even the Public Service Commission has not given, I think, the Report of 1860.

52. No action was taken on this part of the Report of 1860. This Report was made thirty-seven years ago, and even so early as then it was considered, and strongly recommended, that simultaneous examinations was the only way of redeeming the honour of England and of doing justice to India. The report was suppressed and put aside, as it did not suit the views of the Secretary of State for India, who himself had appointed the Committee.

53. Thus the new stage of the Proclamation of 1858, with all the hopes and joy it had inspired, began so early as 1860 to be a grievous disappointment and a dead letter, just as dead as the Act of 1833.

54. The next stage in this sad story is again a revival of hope and joy in a small instalment of justice by a partial fulfilment of all the pledges of 1833 and 1858. This was a bright spot in the dark history of this question, and the name of Sir Stafford Northcote will never be effaced from our hearts.

55. Sad to say, it was to be again darkened with a disappointment. On August 13th, 1867, the East India Association considered the following memorial proposed by me, and adopted it, for submission to Sir Stafford Northcote (Lord Iddesleigh), the then Secretary of State for India:

56. "We, the members of the East India Association, beg respectfully to submit that the time has come when it is desirable to admit the natives of India to a larger share in the administration of India than hitherto.

57. "To you, Sir, it is quite unnecessary to point out the justice, necessity, and importance of this step, as in the debate in Parliament, on May 24th last, you have pointed out this so emphatically and clearly that it is enough for us to quote your own noble and statesmanlike sentiments. You said: 'Nothing could be more 'wonderful than our empire in India; but we ought to 'consider on what conditions we hold it and how our 'predecessors held it. The greatness of the Mogul 'Empire depended upon the liberal policy that was 'pursued by men like Akbar, availing themselves of 'Hindu talent and assistance and identifying themselves 'as far as possible with the people of the country. He 'thought that they ought to take a lesson from such a 'circumstance, and if they were to do their duty towards 'India they could only discharge that duty by obtaining 'the assistance and counsel of all who were great and 'good in that country. It would be absurd in them to 'say that there was not a large fund of statesmanship 'and ability in the Indian character' (*Times* of May 25th, 1867).

58. "With these friendly and just sentiments towards the people of India we fully concur, and, therefore, instead of trespassing any more upon your time, we beg to lay before you our views as to the best mode of accomplishing the object.

59. "We think that the competitive examination for a portion of the appointments to the Indian Civil Service should be held in India, under such rules and arrangements as you may think proper. What portion of the appointments should be thus competed for in India we cannot do better than leave to your own judgment. After the selection is made in India, by the first examination, we think it essential that the selected candidates be required to come to England to pass their further examinations with the selected candidates of this country.

60. "In the same spirit, and with kindred objects in view for the general good of India, we would ask you to extend your kind encouragement to native youths of promise and ability to come to England for the completion of their education. We believe that if scholarships tenable for five years in this country were to be annually awarded by competitive examination in India to native candidates between the ages of fifteen and seventeen, some would compete successfully in England for the Indian Civil Service, while others would return in various professions to India, and where by degrees they would form an enlightened and unprejudiced class, exercising a great and beneficial influence on native society, and constituting a link between the masses of the people and their English rulers.*

61. "In laying before you this memorial, we feel assured, and we trust that you will also agree with us that this measure, which has now become necessary by the advancement of education in India, will promote and strengthen the loyalty of the natives of India to the British rule, while it will also be a satisfaction to the British people to have thus by one more instance practically proved its desire to advance the condition of their Indian fellow-subjects, and to act justly by them.

62. "We need not point out to you, Sir, how great an encouragement these examinations in India will be to education. The great prizes of the appointment will naturally increase vastly the desire for education among the people."

63. A deputation waited on Sir Stafford Northcote on 21st August, 1867, to present the petition. In the course of the conversation, Colonel Sykes explained the objects, and after some further conversation, Sir Stafford Northcote said:

64. "He had the question under consideration, and had conversed with Sir Herbert Edwards and others on it, and Sir Herbert had furnished him with a paper on it. Two plans were suggested—the one proposed that appointments should be assigned for competition in India, the other that scholarships should be given to enable natives to come to finish their education in England. The first would manifestly be the most convenient for the natives themselves; but it was urged in favour of the second that it would secure a more enterprising class than the first—men with more backbone—and he admitted the force of that. Moreover, he quite saw the advantage to India of a more efficient class which had had an English training. He took a great interest in the matter, and was inclined to approve both proposals. He was corresponding with Sir J. Lawrence and the Indian Government on the subject" (*Journal of the East India Association*, Vol. I., pp. 126-7).

65. In 1868, Sir Stafford Northcote, in paragraph 3 of his despatch, Revenue No. 10, of 8th February 1868, said as below:—

"This is a step in the right direction, of which I cordially approve, but it appears to me that there is room for carrying out the principle to a considerable extent in the regulation provinces also. The Legislature has determined that the more important and responsible appointments in those provinces shall be administered exclusively by those who are now admitted to the public service solely by competition; but there is a large class of appointments in the regulation as well as in the non-regulation provinces, some of them scarcely less honourable and lucrative than those reserved by law for the Covenanted Civil Service, to which natives of India have certainly a preferential claim, but which, as you seem to admit, have up to this time been too exclusively conferred upon Europeans. *These persons, however competent, not having entered the service by the prescribed channel, can have no claim upon the patronage of the Government, none, at least, that ought to be allowed to override the inherent rights of the natives of the country; and, therefore, while all due consideration should be shown to well-deserving incumbents, both as regards their present position and their promotion, there can be no valid reason why the class of appointments which they now hold should not be filled, in future, by natives of ability and high character.*

66. I only note this here as what Sir Stafford Northcote had prescribed and instructed the Government of India for the uncovenanted services, but which instructions have also been made a dead letter as usual. I do not in this statement discuss this branch of the subject, viz., the uncovenanted service, except for some short reference to some subsequent grievous events. I content myself with an expression of the Duke of Argyll on what Sir Erskine Perry describes in his "Memorandum" addressed to Lord Salisbury on 9th December, 1876, as "the vicious practice, supposed "to be rapidly growing up in India, of appointing "Englishmen to all the well-paid uncovenanted "offices." The Duke of Argyll in his despatch (10th March, 1870, Financial) said: "The principle which "Her Majesty's Government steadily kept in view "throughout the discussion on these furlough rules is, "that the uncovenanted Service should be principally "reserved for the natives of the country, and that "superior appointments, which require English train-"ing and experience, should be made as heretofore in "England. And they look with great disfavour on

* This clause was an addition proposed by Sir Herbert Edwards.

" the system which appears to be growing up in India " of appointing Englishmen in India to situations that " ought only as a rule to be filled by civilians by open " competition."

67. All such instructions, as usual, are thwarted by what Lord Lytton calls "subterfuges" and great ingenuity.

68. While Sir Stafford Northcote was considering, maturing, and preparing to bring into action the petition of the East India Association, Mr. Fawcett raised the subject in the House of Commons. Referring to simultaneous examinations for the Covenanted Service, he said:

Hansard, Vol. 191, pp. 1,839-40.
May 8th, 1868.

69. "There would be no difficulty in carrying out this plan. . . . His proposal was that there should be examinations at Calcutta, Madras, and Bombay, that there should be the same papers and the same tests as in London, and the successful candidates, whether English or native, should spend two years in this country. To this he had reason to believe, from memorials he had received from Calcutta and Bombay, the natives would not object, though they naturally objected to coming over to England in the first instance without any guarantee of success. . . . All they asked for was to be subjected to precisely the same trial as the English. . . . With reference to their alleged inferiority of character he had asked what would be the effect on English character if we, having been subjected, were debarred from all but the meanest offices of the State. Our civilisation and our literature would be destroyed. Nothing would save us from debasement. It was an indisputable fact that many natives competent to govern a Province were fulfilling the humblest duties at salaries less than was received by the youngest member of the Indian Civil Service. Lord Metcalf had well said that the bane of our system was that the advantages were reaped by one class and the work was done by another. . . . Sir Bartle Frere, in one of his despatches, said he had been much struck with the fact that the ablest exponents of English policy and our best coadjutors in adapting that policy to the wants of the various nations occupying Indian soil were to be found among the natives who had received a high-class English education."

Hansard, Vol. 191, p. 1843.
May 8th, 1868.

70. Mr. Fawcett moved, "That this House whilst " cordially approving of the system of open competition " for appointments in the East India Civil Service, is " of opinion that the people of India have not a fair " chance of competing for these appointments, as long " as the examinations are held nowhere but in London: " this House would therefore deem it desirable that " simultaneously with the examination in London, the " same examination should be held in Calcutta, Bombay " and Madras." I may here remark that at this time and till 1876 the Report of the five Councillors of the India Office of 1860, which I have given before, was not known to anybody outside, and Mr. Fawcett could not have known anything about it.

71. In the same speech from which a passage is extracted in the Memorial of the East India Association, Sir Stafford Northcote has said, "The English " Government must necessarily labour under great " disadvantages, and *we should endeavour* as far as " possible to develop the system of native government, " to bring out native talent and statesmanship, and to " enlist in the cause of government all that was great " and good in them."

72. The outcome of the petition of the East India Association, Mr. Fawcett's motion, and Sir Stafford Northcote's favourable reception of the petition, was that Sir Stafford Northcote introduced a clause in his Bill entitled "the Governor-General of India Bill" to grant the first prayer of the petition; and the Governor-General, Lord Lawrence, published a Resolution on 30th June, 1868, to grant the second prayer of the Memorial, and some scholarships were actually commenced to be given. But by a strange fatality that pursues everything in the interests of the Indians, the scholarships were soon abolished.

73. I do not enter into any details of this incident, as it affects only in an indirect manner and to a very small extent the question I am considering, viz., the admission of Indians in the Covenanted Civil Service.

74. I revert to the clause introduced by Sir Stafford Northcote in 1868. As this clause will come further on in the course of correspondence, I do not repeat it here.

75. This clause was subsequently passed in 1870, under the Duke of Argyll as Secretary of State, who communicated it to the Government of India by a despatch of 31st March, 1870. The Government of India being dilatory, as it is generally the misfortune of Indian interests, the Duke of Argyll in his despatch of 18th April, 1872, reminded the Government of India about the rules required by the Act, as follows:

76. "Referring to the 6th section of the 33rd Victoria, cap. 3, I desire to be informed whether your Excellency in Council has prescribed the rules which that Act contemplates for the regulation of the admission of natives to appointments *in the Covenanted Civil Service* who have not been admitted to that service in accordance with the provisions of the 32nd section of the 21st and 22nd Victoria, cap. 106."

77. The dilatoriness of the Government of India continuing, the Duke of Argyll again reminded the Governor-General of India in a despatch of 22nd October, 1872:

"I have not received any subsequent communication from your Excellency's Government on the subject, and therefore conclude that nothing has been done, although I addressed your Government on the subject on 18th April last."

78. These two reminders were not known to the public until a Return was made in 1879 [C—2,376].

79. Three years passed after the enactment of the clause, and the public not knowing of anything having been done, the East India Association felt it necessary to complain to the Duke of Argyll on the subject.

80. The following is the correspondence between the East India Association and Mr. Grant Duff in 1873, giving His Grace's speech, and a brief account of the events from 1867 to 1873:

"To M. E. Grant Duff, Esq., M.P.,
"Under Secretary of State for India, India Office.

"East India Association,
"20, Great George Street, Westminster,
"London, September, 1873.

Sir,

81. "By the direction of the Council of the East India Association, I have to request you to submit this letter for the kind consideration of his Grace the Secretary of State for India.

82. "On the 21st August, 1867, this Association applied to Sir Stafford Northcote, the then Secretary of State for India, asking that the competitive examination for a portion of the appointments to the Indian Civil Service should be held in India, under such rules and arrangements as he might think proper, and expressing an opinion that, after the selection had been made in India by the first examination, it was essential that the selected candidates should be required to come to England to pass their further examinations with the selected candidates for this country.

83. "Sir Stafford Northcote soon after introduced a clause in the Bill he submitted to Parliament, entitled 'The Governor-General of India Bill.'

84. "The enactment of this Bill continued in abeyance, until, under the auspices of his Grace the present Secretary of State, it became law on the 25th March, 1870, as 'East India (Laws and Regulations) Act.' Moving the second reading of the Bill on the 11th March, 1869, his Grace, in commenting upon clause 6, in a candid and generous manner made an unreserved acknowledgment of past failures of promises, non-fulfilment of duty, and held out hopes of the future complete fulfilment to an adequate extent, as follows:

85. "'I now come to a clause—the 6th—which is one of very great importance involving some modification in our practice, and in the principles of our legislation *as regards the Civil Service in India.* Its object is to set free the hands of the Governor-General, under such restrictions and regulations as may be agreed to by the Government at home, *to select, for the Covenanted Service of India, natives of that country,* although they may not have gone through the competitive examination in this country. It may be asked how far this provision is consistent with the measures adopted by Parliament for securing efficiency in that

service; but there is a previous and, in my opinion, a much more important question which I trust will be considered—how far this provision is essential to enable us to perform our duties and fulfil our pledges and professions towards the people of India? . . .

86. "'With regard, however, *to the employment of natives in the government of their country in the Covenanted Service* formerly of the Company, and now of the Crown, I must say that we have not fulfilled our duty, or the promises and engagements which we have made.

87. "'In the Act of 1833 this declaration was solemnly put forth by the Parliament of England: "And be it enacted that no native of the said terri- " tories, nor any natural-born subject of his Majesty " resident therein, shall, by reason only of his religion, " place of birth, descent, colour, or any of them, be " disabled from holding any place, office, or employ- " ment under the said Company."

88. "'Now, I well remember that in the debates in this House in 1853, when the renewal of the charter was under the consideration of Lord Aberdeen's Government, my late noble friend Lord Monteagle complained, and I think with great force, that, while professing to open every office of profit and employment under the Company or the Crown to the natives of India, we practically excluded them by laying down regulations as to fitness which we knew natives could never fulfil. If the only door of admission to the Civil Service of India is a competitive examination carried on in London, what chance or what possibility is there of natives of India acquiring that fair share in the administration of their own country which their education and abilities would enable them to fulfil, and therefore entitle them to possess? I have always felt that the regulations laid down for the competitive examination rendered nugatory the declaration of the Act of 1833; and so strongly has this been felt of late years by the Government of India that various suggestions have been made to remedy the evil. One of the very last—which, however, has not yet been finally sanctioned at home, and respecting which I must say there are serious doubts—has been suggested by Sir John Lawrence, who is now about to approach our shores, and who is certainly one of the most distinguished men who have ever weilded the destinies of our Indian empire. The palliative which he proposes is that nine scholarships—nine scholarships for a Government of upwards of 180,000,000 of people!—should be annually at the disposal for certain natives, selected partly by competition and partly with reference to their social rank and position, and that these nine scholars should be sent home with a salary of 200*l.* a year each, to compete with the whole force of the British population seeking admission through the competitive examinations. Now, in the first place, I would point out the utter inadequacy of the scheme to the ends of the case. To speak of nine scholarships distributed over the whole of India as any fulfilment of our pledges or obligations to the natives, would be a farce. I will not go into details of the scheme, as they are still under consideration; but I think it is by no means expedient to lay down as a principle that it is wholly useless to require natives seeking employment in our Civil Service to see something of English society and manners. It is true that in the new schools and colleges they pass most distinguished examinations, and, as far as books can teach them, are familiar with the history and constitution of this country; but there are some offices with regard to which it would be a most important, if not an essential, qualification that the young men appointed to them should have seen something of the actual working of the English constitution, and should have been impressed by its working, as anyone must be who resides for any time in this great political society. Under any new regulations which may be made under this clause, it will, therefore, be expedient to provide that natives appointed to certain places shall have some personal knowledge of the working of English institutions. I would, however, by no means make this a general condition, for there are many places in the Covenanted Service in India, for which natives are perfectly competent, without the necessity of visiting this country; and I believe that by competitive examinations conducted at Calcutta, or even by pure selection, it will be quite possible for the Indian Government to secure able, excellent and efficient administrators.'

89. "The clause thus introduced, in a manner worthy of an English generous-minded nobleman, and passed into law, is as follows:—

90. "'6. Whereas it is expedient that additional facilities should be given *for the employment of natives of India, of proved merit and ability, in the Civil Service of Her Majesty in India*, be it enacted that nothing in the "Act for the Government of India," twenty-one and twenty-two Victoria, chapter one hundred and six, or in the "Act to confirm certain appointments in " India, and to amend the law concerning the Civil " Service there," twenty-four and twenty-five Victoria, chapter fifty-four, or in any other Act of Parliament, or other law now in force in India, shall restrain the authorities in India, by whom appointments are or may be made to offices, places, and employments *in the Civil Service of her Majesty in India*, from appointing any native of India to any such office, place, or employment, although such native shall not have been admitted to the said Civil Service of India in manner in section thirty-two of the first-mentioned Act provided, but subject to such rules as may be from time to time prescribed by the Governor-General in Council, and sanctioned by the Secretary of State in Council, with the concurrence of a majority of members present; and that, for the purpose of this Act, the words "natives of India" shall include any person born and domiciled within the dominions of her Majesty in India, of parents habitually resident in India, and not established there for temporary purposes only; and that it shall be lawful for the Governor-General in Council to define and limit from time to time the qualification of natives of India thus expressed; provided that every resolution made by him for such purpose shall be subject to the sanction of the Secretary of State in Council, and shall not have force until it has been laid for thirty days before both Houses of Parliament.'

91. "It is now more than three years since this clause has been passed, but the Council regret to find that no steps have apparently yet been taken by his Excellency the Viceroy to frame the rules required by it, so that the natives may obtain the due fulfilment of the liberal promise made by his Grace.

92. "The natives complain that, had the enactment referred to the interests of the English community, no such long and unreasonable delay would have taken place, but effect would have been given to the Act as quickly as possible, *and they further express a fear that this promise may also be a dead-letter.**

93. "The Council, however, fully hope that further loss of time will not be allowed to take place in promulgating the rules required by the Act. The natives, after the noble and generous language used by his Grace, naturally expect that they will not be again doomed to disappointment, and most anxiously look forward to the promulgation of the rules—to give them, in some *systematic* manner, 'that fair share in the 'administration of their own country which their 'education and abilities would enable them to fulfil, 'and therefore entitle them to possess,' not only as a political justice, but also as a national necessity, for the advancement of the material and moral condition of the country.

" I remain, &c.,
" W. C. PALMER, Capt.,
" Acting Honorary Secretary of the East India Association."

" India Office, London,
" October 10th, 1873.

"SIR,—

94. "I AM directed by the Secretary of State for India in Council to acknowledge the receipt of your letter of the 2nd October, relative to the provisions of the 33rd Victoria, cap. 3, section 6; and to inform you that the subject is understood to be under the consideration of the Government of India, the attention of which has been twice called to it.

95. "2. The Duke of Argyll in Council will send a copy of your letter to the Government of India, and again request the early attention of that authority to that subject.

" I am, &c.,
" (Sd.) M. E. GRANT DUFF.

"The Acting Honorary Secretary,
East India Association."

* To our misfortune it has been made a dead letter.

96. Such is the candid confession of non-performance of duty and non-fulfilment of solemn pledges for thirty-six years, and the renewed pledge to make amends for past failures and provide adequate admission for the future for at least some share in the administration of our own country. The inadequacy is clearly shown by the ridicule of nine scholarships for 180,000,000 souls, and the proposal to adopt means for the abolition of the monopoly of Europeans. When was this confession and this new pledge made? It was to pass the 6th clause of Act 33 Vic., cap. 3. The clause was passed on 25th March, 1870, one year after the above speech was made, and nearly three years after it was first proposed. Twice did Sir C. Wingfield ask questions in the House of Commons, and no satisfactory reply was given. At last the East India Association addressed the letter which I have given above to the India Office, and from the reply it will be seen how slow our Indian authorities had been, so as to draw three reminders from the Secretary of State.

97. With regard to the remark in the letter as to the complaint of the natives that, "had the enactment "referred to the interests of the English community, "no such long and unreasonable delay would have "taken place," I need simply point to the fact of the manner in which the Cooper's Hill College was proposed and carried out promptly and with no difficulty raised, as is always raised against Indian interests.

98. In 1879 the India Office made a Return [C—2,376] on the ("Civil Service"). In this Return, after the despatch of the Secretary of State for India of 22nd October, 1872, no information is given till the Government of India's despatch of May 2nd, 1878.

99. In this Return, as I have said already, the report of the Committee of the five members of the Council of the Secretary of State of 1860, recommending that simultaneous examinations was the only fair way of redeeming the honour of the British name and doing justice to the Indians, was omitted. There is a despatch of the Government of India of 1874, which Sir E. Parry in his memorandum describes as follows:

100. "Nearly two years afterwards (20th August, No. 31 of 1874) the Government of India replied to this despatch, transmitting rules, but noticing very jejunely the principal question raised by his Grace. Rules were finally suggested for adoption by the Secretary of State, those originally transmitted being deemed by him, under legal advice, to place too narrow a construction on the statute" (Public Despatch to India, No. 131 of 20th August, 1874).

101. These documents also have no place in the Return. Who knows what other inconvenient documents also may have not appeared? This is always the difficulty in Indian matters for Indian interests. The public can never know the whole truth. The Government put forward only such information as they like, and the public is left in the dark, so as not to be in a position to judge rightly.

102. I may also mention that the despatch of the Duke of Argyll (10th March 1870, Financial), to which I have already referred, has also not been given in the Return.

103. Of course, I am not surprised at these omissions. It is our fate, and the usual ways of an arbitrary regime. But why I mention this is that the public are misled and are unable to know the true state of a case in which Indian interests are involved; the public cannot evolve these suppressions from their inner consciousness.

104. And still the outside public and the non-official witnesses are sometimes blamed for not supplying criticisms on the statements made by the officials of Government!

105. Again, there is the despatch of Lord Salisbury of 10th February 1876, not given in the Return. Sir E. Perry, referring to this despatch, says: "Lord "Salisbury decided the matter once for all in his "despatch of 10th February, 1876, Financial, in which "he quoted the Duke of Argyll's despatch of 1870 "(*Supra*), and after stating that he concurred in the "views thus expressed, he proceeded to lay down precise "rules, by which the appointment of Englishmen in "India to the higher uncovenanted offices, should in "future be restricted." Now I cannot say whether all these suppressed documents were satisfactory or not, whether they are published in some other place, but when the India Office omits such information in a Return on the subject itself, what are we to do? And if we criticise upon imperfect information, the authorities come down upon us denouncing us in all sorts of ways for our wrong statements, exaggerations, inaccuracies, and what not.

106. The next despatch that the Return gives, is that of the Government of India of 2nd May, 1878. It was in connection with this despatch that Lord Lytton wrote a note dated 30th May. In this note he had the courage to expose the whole character of the conduct of Indian authorities in both countries since the passing of the Act of 1833, denouncing that conduct as consisting of deliberate, transparent subterfuges, and as making promises to the ear and breaking it to the hope. Here are Lord Lytton's own words, referring to the Act of 1833:

107. "The Act of Parliament is so undefined, and indefinite obligations on the part of the Government of India towards its native subjects are so obviously dangerous, that no sooner was the Act passed than the Government *began to devise means for practically evading the fulfilment of it.* Under the terms of the Act, which are studied and laid to heart by that increasing class of educated natives whose development the Government encourages without being able to satisfy the aspirations of its existing members, every such native if once admitted to Government employment in posts previously reserved to the Covenanted Service is entitled to expect and claim appointment in the fair course of promotion to the highest post in that service.

108. "We all know that these claims and expectations never can or will be fulfilled. We have had to choose between prohibiting them and cheating them: and we have chosen the least straightforward course. The application to natives of the competitive examination system as conducted in England, and the recent reduction in the age at which candidates can compete, are all so many deliberate and transparent subterfuges for stultifying the Act and reducing it to a dead letter. Since I am writing confidentially I do not hesitate to say that both the Governments of England and of India appear to me, up to the present moment, unable to answer satisfactorily the charge of having taken every means in their power of breaking to the heart the words of promise they had uttered to the ear."

109. I admire the English candour and courage with which this confession is made. But I protest that so far as the people, the Parliament and the Sovereign are concerned, it is an injustice to them to put the dishonour of "subterfuges" to their charge. The truth I believe to be is that the Sovereign, the Parliament and the people of this country, sincerely meant what they said — but that their servants, the executive authorities in both countries, uncontrollable and free to follow their own devices, frustrated the highest and noblest desires of the Sovereign and the people by "deliberate and transparent subterfuges."

110. In India a righteous system can be adopted, as many a statesman has declared, by which both England and India may be blessed and benefited, and for which purpose the Indians had been crying all along in the wilderness. The Sovereign, the Parliament and the people have done all that could be desired. The only misfortune is that they do not see to their noble wishes and orders being carried out, and leave their servants to deprive India of all that is most dear and necessary to the human existence and advancement—wealth, wisdom and work—material and moral prosperity. Reverting to Lord Lytton's true confession about "subterfuges," one would think that after such confession some amends will be made. Far from it. This despatch of 2nd May, 1878, will remain one of the darkest sections in this sad story.

111. What did the Government propose in this despatch? To destroy everything that is dearest to the Indian heart—his two great Charters of 1833 and 1858, the Act of partial justice of 1870—to deprive him of the whole political existence of equality of Indians as British citizens which—at least by law, if not by deed or action of the authorities—they possessed and make them the *Pariahs* of the high public service.

112. Mark! by the Act of 1870, the Indians were to have a distinct proportion of appointments (which was fixed by the Government of India to be about one-fifth, or about 7 every year) in the *Covenanted Civil Service* —which meant that in the course of 25 to 30 years, the duration of the service of each person, there would gradually be about 180 to 200 Indians admitted into the Covenanted Civil Service. This was a bitter pill for the Anglo-Indians, official and non-official. The

Government resorted to every subterfuge, to ignore, and with passive resistance to make the Act a dead letter. This not succeeding, they deliberately proposed to throw aside all Acts, Resolutions, and Proclamations —all pledges and laws of equality, and to establish a "close native Civil Service;" that is to say, to deprive the natives once and for ever of any claim to the whole higher Covenanted Services, and *by law* be shut up to a lazaretto of a miserable close service.

113. And what was to be *this close* service? Not even to the extent to which the Act of 1870 led to the hope of the share in the Covenanted Civil Service—but only to propose to assign certain fixed appointments now held by the Covenanted Service, and to deprive the uncovenanted service of some of their appointments to cast them into this service; that is to say, in reality to make a "pariah" service of a small number of Covenanted Service employments—about 90 or so (the uncovenanted being already the Indian's own)—in place of what the Act of 1870 would have entitled them, to the extent of 180 or more, and to be eligible to the *whole* Covenanted Service employments; and what is still worse, and exhibits the inner spirit, that even this miserable so-called "close" service was not to be entirely reserved for the Indians, but, as I understand, a door is left open for Europeans also to get into it. And still more the Government of India so mercilessly wanted to put the badge and stamp of inferiority and exclusion upon the Indians at large and rob them of their only consolation, their only hope and charter, that they already possessed by law and by pledges, for equality of British citizenship with the British subjects of this country. But there is something still worse; the Government coolly proposed not only not to give them simultaneous examinations in India, but to deprive them even of the right they now possess, of competing for the Covenanted Service in this country itself.

114. The Government of India said, in cold blood, that "the ordinary Covenanted Civil Service should no "longer be open to natives;" thus proposing that the Acts of 1833 and 1870, and the proclamation should be thrown to the winds. So these Acts and the proclamations of the Sovereign upon which hangs all our devoted loyalty, all our hopes and aspirations (though in all conscience most mercilessly disregarded) all that is at all good and great in the British name in India, all that is to be swept away by a new un-British legislation! The whole despatch is so distressful, so full of false blandishments, that I cannot venture to say anything more about it. The wonder is that on the one hand Lord Lytton exposes the "subterfuges" of the executive, and himself and his colleagues sign such a despatch of 2nd May, 1878. And what is still more curious is this; about seventeen months before this despatch, on 1st January, 1877, at the Delhi Assemblage, on the assumption of the title of Empress of India, Lord Lytton himself on behalf of her Majesty said:

115. "But you, the natives of India, whatever your "race and whatever your creed, have a recognised "claim to share *largely* with your English fellow-"subjects according to your capacity for the task, in "the administry of the country you inhabit. *This* "*claim is founded on the highest justice.* It has been "repeatedly affirmed by British and Indian statesmen "and by the legislation of the Imperial Parliament. "It is recognised by the Government of India as "binding on its honour and consistent with all the "aims of its policy," and all such "highest justice" and all this "binding on honour" ended in this extraordinary despatch of 2nd May, 1878! It is the most dismal page in the whole melancholy affair about the Covenanted Service.

116. But the further misfortune is that since the despatch of 2nd May, 1878, the whole heart and soul of the Government is directed in the spirit of the despatch, and though they have not attempted to alter legislation, they have by persistence and devices most ingeniously carried out their own object, and made the Acts of 1833 and 1870, and the great proclamations, mere dead letters. With trumpet tongues they have proclaimed to the world that the "*close* service" was an extraordinary and generous concession, when in reality we are deprived of what we already possessed by the Act of 1870, and our political position is reduced to the condition of political pariahs.

117. I do not enter here into a discussion of the un-English and subtle procedure by which we are deprived of the so-called "statutory service," which had secured for us no less than a complete and free admission into the whole Covenanted Civil Service, to the number which had been at the time considered for a beginning as a fair proportion of about one-sixth or one-fifth of the total number of this service.

118. There is one other important reason why I do not pursue any more the criticisms upon this despatch of 2nd May, 1878. The Secretary of State, himself found it impossible to accept it, summarily disposed of its fallacies and hollowness, brushed it aside and insisted upon carrying out the Act of 1870.

119. Now before going further, I have to request the Commission to bear in mind that the Government of India had, by this despatch, most earnestly and laboriously committed themselves to a "close native service," and it will be seen that they bided their time and left no stone unturned, by any means whatever, to attain ultimately their object.

120. As I have said above, Lord Cranbrook, the then Secretary of State, would not accept the preposterous despatch, and put down his foot against such openly violating all honourable and solemn pledges of the Sovereign and Acts of Parliament.

121. Lord Cranbrook in his despatch of 7th November 1878, said in reply:

"6. But your proposal of a close native service with a limited class of high appointments attached to it, and your suggestions that the Covenanted Civil Service should no longer be open to natives, involve an application to Parliament which would have no prospect of success, and which I certainly would not undertake. Your lordship has yourself observed that no scheme would have a chance of sanction which included legislation for the purpose of repealing the clause in the Act of 1833 above quoted, and the obstacles which would be presented against any attempt to exclude natives from public competition for the Civil Service would be little less formidable."

122. "10. It is, therefore, quite competent to your lordship's Government to appoint every year to the Civil Service of India any such number of natives as may be determined upon, and the number of covenanted civilians sent out from this country will have to be proportionately decreased. The appointments should in the first instance be only probationary, so as to give ample time for testing the merit and ability of the candidates."

123. "11. It appears to me that the advantages of such a simple scheme will be obvious:—

124. "(i.) It will undoubtedly be much more popular with the natives, as it will place them on a footing of social equality with the covenanted civilian;

125. "(ii.) Inasmuch as it will exclude no civilian at present in India from any office which he has a moral claim to expect, it will avoid any clashing with the vested interests of the Civil Service;

126. "(iii.) It will avoid the necessity of any enhancement of salaries of uncovenanted officers which is now proposed, not because such enhancement is necessary, but from the necessity of creating a class of well-paid appointments to form sufficient prizes for a close native service;

127. "And lastly, it pursues the same system of official training which has proved so eminently successful in India."

128. Thus foiled in the un-English attempt to inflict upon the Indians the most serious political disaster, the Government of India whined and lay low to wait their opportunity, and as compelled, and with bad grace, made the required rules one year after the despatch of 2nd May, 1878.

129. With their despatch of 1st May, 1879, the Government of India sent the rules, and explained in para. 8 of the despatch the proportion of Indians they proposed to select: "the proposed statutory "rules, in brief, provide that a proportion not ex-"ceeding one-sixth of all the recruits added to the "Civil Service in any one year shall be natives "selected in India by the local Governments."

I give here the rules proposed:—

"No. 18.

"RULES for the APPOINTMENT of NATIVES of INDIA to offices ordinarily held by members of Her Majesty's Covenanted Civil Service in India.

130. "In exercise of the power conferred by the Statute 33 Vict., cap. 3, section 6, the Governor-General

in Council has been pleased to make the following rules, which have been sanctioned by the Secretary of State in Council with the concurrence of a majority of members present:—

131. "I.—Each Local Government may nominate persons who are natives of India within the meaning of the said Act, for employment in her Majesty's Covenanted Civil Service in India within the territories subordinate to such Government. Such nominations shall be made not later than the first day of October in each year. No person shall be nominated for employment in the said service after he has attained the age of 25 years, except on grounds of merit and ability proved in the service of Government, or in the practice of a profession.

132. "II.—Nominations under the foregoing rule shall, if approved by the Governor-General in Council, be provisionally sanctioned by him. The total number of nominations so sanctioned in any year shall not exceed one-fifth of the total number of recruits appointed by her Majesty's Secretary of State to the said service in such year; provided that the total number of such nominations sanctioned in each of the years 1879, 1880, and 1881 may exceed the said proportion by two. On sanction being given by the Governor-General in Council, the nominee shall be admitted on probation to employment in the said service; such admission may be confirmed by the Governor-General in Council, but shall not be so confirmed until the Local Government shall have reported to the Governor-General in Council that the probationer has acquitted himself satisfactorily during a period of not less than two years from the date of his admission, and that he has, unless specially exempted by the Governor-General in Council, passed such examinations as may from time to time be prescribed by the Local Government subject to the approval of the Governor-General in Council. In case of persons admitted under these rules after they have attained the age of 25 years, the Governor-General in Council may confirm their admission without requiring them to serve for any period of probation.

133. "III.—Persons admitted under these rules to employment in the said service shall not, without the previous sanction of the Governor-General in Council in each case, be appointed to any of the undermentioned offices, namely:

"Members of a Board of Revenue.
"Secretaries to the several Governments and Administrations in India.
"Chief Magisterial, or Chief Revenue, Officers of Districts.
"Commissioners of Division, or of Revenue.

134. "IV.—Persons admitted under these rules to employment in the said service shall ordinarily be appointed only to offices in the province wherein they were first admitted. But the Governor-General in Council may transfer from one province to another a person finally admitted to employment in the said service.

135. "V.—Any person admitted under these rules may, with the previous sanction of the Governor-General in Council, be declared by the Local Government to be disqualified for further employment in the said service."

136. Two comments suggest themselves with regard to these rules—when read with the light that the Government of India's whole heart was in the "close native service"—and that, therefore, to carry out loyally the Act of 1870 was naturally against their grain.

137. At the very beginning they began to nibble at the Statute of 1870 and proposed in Rule III not to put natives on the same footing with Europeans with regard to all high offices. On this unworthy device I need not comment, as the Secretary of State himself struck out this Rule III without much ceremony.

138. Now, whether intentionally or unintentionally, the rules had been so framed that had the Government of India sat down to devise the most effective means of bringing discredit and failure on the service under the Act of 1870, they could not have done better or worse than these rules. These Indian civilians were to be the colleagues of and to do the duties with the best educated and severely tested (educationally, physically and morally) English youths. Particular care was taken not to prescribe any systematic compulsory rules for such high test and for obtaining recruits worthy of being included in such a highly trained service as the Covenanted Civil Service, of which these Indians were to be an integral part and in which service they were to be exactly on the same footing as English civilians. This was the crux and the spirit of the whole matter; the rules simply made the matter one of patronage and back-door influence. It needs no stretch of the imagination to see that such a course could lead only to one result, as it has always done, viz., failure. It was absurd to expect that such Indian civilians could prove as successful and efficient as the English civilians so well prepared. This was the first covert blow given by the Government of India at the very birth of the operation of the Act of 1870, and unfortunately Lord Cranbrook did not see this ingenious device.

139. The Commission can hardly realise the intensity of the gratitude of the Indians to Sir Stafford Northcote for proposing, and the Duke of Argyll for passing, the clause in the Act for 1870, and not less intense was their gratitude to Lord Cranbrook and to Sir Erskine Perry who co-operated with him, for the determination with which Lord Cranbrook overcame all strenuous opposition and the blandishments of the Government of India of their own good will and justice to the Indians; and he compelled that Government to give effect to the Act of 1870.

140. The clause was at last given effect to, though with great reluctance and under compulsion, after ten long years. This is generally the case. For all Indian interests the officials always require long and most careful and most mature consideration, till by lapse of time the question dies. Under Lord Cranbrook this clause had better fortune, but only to end in utter and more bitter disappointment to the Indians. The first appointments under the clause, though after a delay of ten years, again infused a new life of loyalty and hope in the justice of the British people, throughout the length and breadth of India. It was a small instalment, but it was a practical instalment, and the first instalment of *actual justice*. And it was enough, for an ever disappointed and unjustly treated people, to rejoice, and more so for the future hope of more justice and of righteous rule; little foreseeing to what bitter disappointment they were to be doomed in the course of the next ten years! The first appointments were made under the rules in 1880. Now we come to the next melancholy stage.

141. The immediate development of the compulsion on the Government of India to carry out the Clause of 1870—coupled with the fear of the possible effect of the despatch of Sir Stafford Northcote of 8th February, 1868, to restrict employment of Europeans to those only who pass the examination here, and to insist upon the inherent rights of the Indians to all appointments—was to produce a sullenness of feeling and great vexation among the Anglo-Indian body generally (with, of course, honourable and noble exceptions).

142. I do not enter, as I have already said, upon the latter question of the uncovenanted service. I mention it here simply because it added to the anger of the Anglo-Indians against the noble policy of men like Sir Stafford Northcote. I confine myself to the sad story about the admission of Indians in the Covenanted Civil Service.

Well, the so-called "statutory" service was launched in 1880. It was called by a distinctive name "statutory" as if the whole Covenanted Service was not also a "statutory" service, and as if the Clause of 1870 was not simply for full admission into the whole Covenanted Service. But what is in a name? The Government of India knew the value of creating and giving a distinct name to the service so that they may with greater ease kill it as a separate service; and at last, kill it they did. The Anglo-Indians, official and non-official, were full charged with sullenness and anger, and with the spark of the "Ilbert Bill" the conflagration burst out.

143. Here I may point out how shrewdly Lord Salisbury, while fully approving the Clause of 1870, had prophesied the coming storm. On the debate on the Clause in 1870, Lord Salisbury had said:

144. "Another most important matter is the admission of natives to employments under the Government of India. I think the plan of the noble duke contained in this Bill is, I believe, the most satisfactory solution of a very difficult question." And after so fully accepting the clause, he said: "One of the most serious dangers you have to guard against

" is the possibility of *jealousy* arising from the intro-
" duction of natives into the service."

145. Owing to this jealousy ten years elapsed before any action was taken on the Act of 1870, and that even *under compulsion* by Lord Cranbrook. Before three years after this effect was given to the Clause, Lord Salisbury's prophecy was fulfilled. Explosion of "jealousy" burst out over the Ilbert Bill.

146. I cannot enter here into the various phases of the excitement on that occasion, the bitter war that raged for some time against Indian interests. I content myself with some extracts from the expression of Lord Hartington (the Duke of Devonshire) upon the subject. It clearly proves the action of the *jealousy* of the Anglo-Indians. Lord Hartington said (speech, House of Commons, August 23, 1883):

147. "It may by some be thought sufficient to say, that the Anglo-Indian, whatever may be his merits, and no doubt they are great, is not a person who is distinguished by an exceptionally calm judgment."

Hansard, Vol. 283, p. 1818.
August 23, 1883.

148. "I could quote passages in letters in the Indian papers in which it is admitted that the agitation was directed against the policy of the Home Government in providing appointments for native civilians while there are many Europeans without appointments. . . . . I believe that the cause of the prevalent excitement is to be found, not in this measure, but in the general course of policy that has been pursued both by this Government and the late Government. It has been the policy of governments for some years past to impress upon the Government of India the desirability of obtaining the assistance of the native population as far as possible in the government of that country. Over and over again that policy has been inculcated from home. In 1879 a resolution was passed which limited appointments of the value of Rs. 200 a month to officers of the army and to natives. That restriction has been rigidly enforced, and has met with *all kinds of opposition from non-official classes of Europeans, who think that all the appointments must be reserved for them.* The same spirit was shown when it was determined that admission to the Engineering College at Roorki should be confined to natives. . . . Agitation of the same character has been seen before when there was just as little foundation for it. Lord Macaulay, Lord Canning, and other Anglo-Indian statesmen experienced the same kind of opposition from Anglo-Indians; but all these reproaches have recoiled, not against the statesmen with regard to whom they were uttered, but against the persons uttering them themselves. . . .

149. "There is a further reason, in my opinion, why this policy should be adopted, and that is, that it is not wise to educate the people of India, to introduce among them your civilisation and your progress and your literature, and at the same time to tell them they shall never have any chance of taking any part or share in the administration of the affairs of their country, except by their getting rid in the first instance of their European rulers. Surely it would not be wise to tell a patriotic native of India that. . . .

150. "Whatever difference of opinion there may be, there can, in my opinion, be very little doubt that India is insufficiently governed at the present time. I believe there are many districts in India in which the number of officials is altogether insufficient, and that is owing to the fact, that the Indian revenue would not bear the strain if a sufficient number of Europeans were appointed. The Government of India cannot afford to spend more than they do in the administration of the country, *and if the country is to be better governed, that can only be done by the employment of the best and most intelligent of the natives in the service.*"

151. At last, however, the agitation of the Ilbert Bill subsided. The eruption of the volcano of the Anglo-Indian hearts stopped, but the anger and vexation continued boiling within as the cause of the explosion still remained. And the Government of India were biding their time to carry out that most un-English scheme of the despatch of 2nd May, 1878, to create a *pariah* lazaretto of a close service.

152. Owing to the persistence of Lord Cranbrook, the appointments under the Act of 1870 had begun in 1880, and continued to be made, *i.e.*, about six or seven Indians continued to be admitted in the Covenanted Civil Service every year. This main cause of the explosion having continued, and the Government of India having set its heart upon their own scheme of close service, a new departure and development now arose. The question at the bottom was how to knock the "statutory service" on the head, and put down effectively the cry for simultaneous examinations. The explosion under the excuse of the Ilbert Bill did not effect that object, and so, according to Lord Lytton's confession of the general conduct of the Executive, something else should be done.

153. We now enter upon the next stage of this sad story. I shall place some facts, and any fair-minded Englishman will be able to draw his own conclusions. Before I do so, certain preliminary explanation is necessary.

154. In India, when the authorities are decided upon certain views, which are not likely to be readily accepted by the public, a Commission or Committee comes into existence. The members are mostly officials or ex-officials—English or Indians. Some non-officials, English or Indians, or both, are sometimes thrown in, selected by the Government itself. It is a well understood thing that in all matters officials are bound always to take and support the Government views. The ex-officials are understood to be bound by gratitude to do the same. If anyone takes an independent line, either in a Commission or Committee, or in his own official capacity displeases the Government, I cannot undertake to say with instances what happens.

155. Perhaps some Anglo-Indians themselves may feel the sense of duty to supply some instances from their own experience. Almost by accident an instance has just come back before me in the *Champion*, of Bombay, and which gives the incident almost in the author's (Mr. Robert H. Elliot) words: "Mr. Geddes
" came before the Finance Committee (1871–74), and
" that the members thought it well worth examining
" is evidenced by the fact that he was examined at
" very great length. Here was a chance for Duff; he
" thought he would do a very clever thing, and as
" Mr. Geddes had introduced into his financial
" pamphlet some views of rather a novel description, and
" had, besides, made use of some rather out-of-the-way
" illustrations, this gave a good opportunity for putting
" questions in such a way as was calculated to cast ridi-
" cule on Mr. Geddes, and depreciate the value of the
" important points he had brought out. But this was
" far from being all. It was intimated pretty plainly
" to Mr. Geddes that his opinions ought to be in
" harmony with the Government he served, and here
" Mr. Geddes said that he certainly ought to be in
" harmony with the Government, if there was any
" spirit of harmony in it. Mr. Geddes was clearly
" not to be put down, and Duff thought he would try
" something more severe. 'You hold an appointment
" 'in the Government, do you not?' 'Yes,' said
" Mr. Geddes. 'And do you expect to return to that
" 'post?' asked Duff. 'Now, my dear John,' continues
" the author, 'you will not find that question in the
" 'report, for the simple reason that it was ordered to
" 'be expunged.'" Would some Anglo-Indian kindly give us some information of what afterwards became of Mr. Geddes? I would not trouble the Commission with my own treatment before the same Committee, which was anything but fair, except the questions put to me by Mr. Fawcett, because, like Mr. Geddes, I had something novel to say. I would only add that an important and pointed evidence of Lord Lawrence, on the wretchedness and extreme poverty of India, was also suppressed in the Report.

156. The officials have therefore to bear in mind to be in harmony with Government or think of their posts —and I suppose the ex-officials have also to bear in mind that there is such a thing as pension.

157. Here is one more instance. When Mr. Hyndman published his "Bankruptcy of India," Mr. Caird at once wrote to the *Times* contradicting him. The India Office soon after sent him to preside over the Famine Commission. He, though at first much prejudiced by Anglo-Indian views, and going to bless the Government, returned cursing. He made a report on the condition of India, and that being contrary to official views—oh! how Government laboured to discredit him!

158. Lastly, Commissions or Committees report what they like. If they are in the expected harmony with Government, all is well. But anything which Government does not want or is contrary to its views is brushed aside. Reports of Commissions must be in

harmony with the views of the Government. If not, so much the worse for the Commissioners; and this is what has actually happened with the Public Service Commission, which I am now going to touch upon as the next stage in this sad history of the fate of Indians *for services in their own country*.

159. When I came here in 1886, I paid a visit to Lord Kimberley, the Secretary of State for India. I had been favoured with more than an hour's conversation, mainly on the two topics of "statutory service" and simultaneous examinations, and I found him a *determined*, decided opponent to both, and completely, to our misfortune, saturated with Anglo-Indian views —not seeming to realise at all the Indian side. He urged to me all the Anglo-Indian stock arguments, and I saw what he was really aiming at—the very thing which Lord Cranbrook had summarily rejected—the scheme of the Government of India of the despatch of 2nd May, 1878, the close service.

160. From that interview I saw clearly what the "Public Service Commission" was for—that the abolition of the "statutory" service, the suppression of the cry for simultaneous examinations, and the adoption of the scheme of 2nd May, 1878, were determined foregone conclusions.

161. Soon after my conversation with Lord Kimberley, I happened to be on the same boat with Sir Charles Turner on my way to Bombay. Sir Charles Turner was going out by appointment by Lord Kimberley to join the Public Service Commission. I at once prepared a short memorandum, and gave it to him. Afterwards, in the course of the conversation, he told me that he had certain instructions from Lord Kimberley. Sir Charles Turner, of course, could not tell me, whatever they may have been. But I could not help forming my own conclusions from what I had myself learnt from Lord Kimberley himself in my conversation with him.

162. Sir Charles Aitchison was the President of the Commission, and he, as Lieutenant-Governor of the Punjaub, made a representation to the Commission, in which he expressed his clear opposition to the simultaneous examinations. About the "statutory" service he had already most strongly objected to, two years before the appointment of the Commission, in a very inaccurate and hasty argument and on very imperfect information.

163. In a country like India, governed under a despotism, where, under present circumstances, service under and favour of government is to many the all in all, what effect must the declaration of the head of the province, and the well-known decided views of the Government itself, produce upon the invited witnesses —not only official, but non-official also—can hardly be realised by Englishmen, who have their government in their own hands.

164. I was a witness before this Commission. I fully expected that, as I was considered one of the chief complainants in these matters, I would be severely examined and turned inside out. But the Commission, to my surprise, carried on with me more of a light academical debate than a serious practical examination, and seemed wishful to get rid of me quickly, so much so that I was forced to request that a Memorandum which I had placed before them should be added to my evidence on several points.

165. I may here explain that simultaneous examinations was by far the most important matter, and, if granted, would have dispensed with the necessity of the "statutory" service. The chief fight was for simultaneous examinations.

166. First, as far as the "statutory" service is concerned, here is the extraordinary result. In the instructions to the Commission, the object of the Commission was stated, "broadly speaking," "to "devise a scheme which may reasonably be hoped to "possess the necessary elements of *finality*, and to do "*full justice* to the claims of the natives of India to "*higher and more extensive* employment in the public "service"; and in this the Governor-General in Council fully and cordially agreed.

167. This was the promise; and what is the performance? The admission of one-sixth Indians into the Covenanted Service we already possessed by law—and in operation. We were already eligible to all uncovenanted services. Full justice and still higher and more extensive employment were promised—and what did we actually get? We were deprived of what we already by law (of 1870) possessed; and instead of giving us "full justice," it deprived us of all our hopes and aspirations to be admitted to an equality of employment with British officials; and we were coolly, mercilessly, despotically, and illegally consigned to a small pariah service, open to Europeans also—which had been *already schemed and firmly determined upon ten years before* in the despatch of 2nd May, 1878—in utter violation of the Acts of 1833 and 1870, and three gracious proclamations. This is the way in which the Public Service Commission has carried out its object to devise a scheme to possess elements of finality and to do full justice to the claims of the natives to *higher* and *more extensive* employment in the public service.

168. Now, with regard to simultaneous examinations, the conduct of the Public Service Commission seems to be still more extraordinary. Why they actually reported, as far as I can see, in opposition to the weight of evidence, I cannot understand. Mr. William Digby has analysed the evidence in a letter to Lord Cross, of 8th May, 1889, and I append that part of his letter. I asked the Secretary of State to inform me whether Mr. Digby's analysis was correct or not, but the information was not given me.

169. There is again a curious coincidence between the action of Lord Lytton and Lord Dufferin which I may intervene here.

170. Of Lord Lytton, I have already mentioned about the contrast between his speech at the Delhi Durbar in January, 1877, and his action in the despatch of 2nd May, 1878.

171. On 4th October, 1886, was started the Public Service Commission by Lord Dufferin, and in the beginning of the very next year, 1887, on the occasion of the Jubilee, Lord Dufferin said in his Jubilee speech :—

172. "Wide and broad, indeed, are the new fields in "which the Government of India is called upon to "labour, but no longer as aforetime need it labour "alone. Within the period we are reviewing, educa- "tion has done its work, and we are surrounded on "all sides by native gentlemen of great attainments "and intelligence, from whose hearty, loyal, and honest "co-operation we may hope to derive the greatest "benefit. In fact, to an administration so peculiarly "situated as ours, *their advice, assistance, and solidarity* "*are essential to the successful exercise of its functions.* "Nor do I regard with any other feelings than those "of approval and good-will their natural ambition to "be more extensively associated with their English "rulers in the administration of their own domestic "affairs." At the same time the Empress of India thus emphasises her great proclamation of 1858 :—

173. "It had always been, and will always be, her earnest desire to maintain unswervingly the principles laid down in the proclamation published on her assumption of the direct control of the Government of India."

174. And these two declarations of hope and justice came to what end? Within two years—as I have already said, Lord Cross, with a ruthless hand, snatched away from us the small instalment of actual justice which Sir S. Northcote had done to us, consigned us to a small close pariah service, and destroyed virtually all our charters and aspirations.

175. I now come to the last dark section of this sad chapter, which also shows that, to our misfortune, we have had nothing but bitter disappointments—since 1833—nothing but "subterfuges" up to the present day.

176. Propose anything for the benefit of Europeans, and it is done at once. The Royal Engineering College at Coopers Hill and the Exchange compensation allowance are two notorious instances, the latter especially heartless and arbitrary. The Government of India has distinctly admitted that the compensation is illegal. It knew also that it would be a heartless act towards the poverty-stricken people of India. But, of course, when European interests are concerned, legality and heart go to the winds: force is the only law and argument. Here is another curious incident connected both with examinations and Europeans.

177. As I have already placed before the Commission my papers on the entire exclusion of Indians from military and naval examinations, either here or in India, I will not say anything more. The curious incident is this:

178. The War Office would not admit Indians to examinations even in this country, and on no account simultaneously in India. But they allowed Europeans to be examined directly in India. St. George's College, Massoori, examined its boys. A boy named Roderick O'Connor qualified for Sandhurst from the college in 1893. Two boys named Herbert Roddy and Edwin Roddy had also passed from that college.

179. On 2nd June, 1893, the House of Commons passed the resolution to have simultaneous examinations in England and India for all the services for which the examinations are at present held in England alone.

180. Had such a Resolution been passed for any other department of State, it would have never dared to offer resistance to it. But with unfortunate India the case is quite different.

181. The Resolution of 2nd June, 1893, having been carried, the Under-Secretary of State for India (Mr. Russell) said (Hansard, vol. 17, p. 1035): "It may "be in the recollection of the House that in my official "capacity it was my duty earlier in the session to "oppose a Resolution in favour of simultaneous ex- "aminations. But the House of Commons thought "differently from the Government. *That once done* I "need hardly say that *there is no disposition on the part "of the Secretary of State for India or myself to thwart "or defeat the effect of the vote of the House of Commons* "on that Resolution.

182. "We have consulted the Government of India, "and have asked them, as *to the way* in which the "resolution of the House *can best be carried out.* It is "a matter too important to be carried out without the "advice of the Indian Government, and at present "impossible to state explicitly what will be done." Now our Commission will observe that the Government of India was to be consulted, as to *the way* in which the Resolution was to *be best carried out, and not as to whether it was to be carried out or not, nor to thwart or defeat it.* What did the Prime Minister (Mr. Gladstone) say?

183. "The question is a very important one, and has "received the careful consideration of Government. "They have determined that the Resolution of the "House should be referred to the Government of India "without delay, and that there should be a prompt "and careful examination of the subject by that "Government, who *are instructed* to say in *what mode* "in their opinion, and under what conditions and "limitations, the Resolution *could be carried into effect.*" It must be observed again that the Government of India were to be instructed to say *by what mode the Resolution could be carried into effect.*

184. After such declarations by two important officials, what did the Secretary of State do?

185. Did he loyally confine himself to these declarations? We know that Lord Kimberley (who was then the Secretary of State) was dead against simultaneous examinations. He knew full well that the Government of India was well known to the world *to be as dead against any such interest of the Indians.* Sir James Peile in his minute even said as much. And yet in a very clever way the India Office adds a sentence to its despatch virtually telling the Government of India to resist altogether.

186. The last sentence added to the despatch was:

"3. I will only point out that it is indispensable that an adequate number of the members of the Civil Service shall always be Europeans, and that no scheme would be admissible which does not fulfil that essential condition."

187. And further:—

That there should remain no doubt of the real intention of this sentence, six members of the Council wrote vehement minutes emphatically indicating that the Government of India should resist—not obey the instruction as to what mode should be adopted to carry out the Resolution. And thus, knowing full well what the Government of India's views were, knowing also that the Resolution was passed *notwithstanding the opposition of the Government;* knowing also that Mr. Russell had distinctly told the House of the acceptance by the Government of what the House decided, and promising, on behalf of the Secretary of State as well as himself, *not to thwart or defeat the Resolution,* Lord Kimberley sent the Indian lamb back to the Government wolf, as if the Resolution of the House was not of the slightest consequence, and the Governments here and in India were supreme and above the House of Commons. They had always done this for two-thirds of a century to every Act, or Resolution of Parliament, or the Sovereign's Proclamations.

188. With such open suggestion and encouragement from the Secretary of State and his councillors, and with their own firm determination not to allow the advancement of the natives by simultaneous examination—even having only lately snatched away from the hands of the Indians the little instalment of justice that was made by Sir Stafford Northcote and the Duke of Argyll, and was approved by Lord Salisbury—what could be expected in reply to such a despatch? Of course, the Government of India resisted with a will, tooth and nail, as they had always done.

189. At first, the Government of Madras was one for justice. And then, in the vicious circle in which all Indian interests are usually cleverly entangled, the Government here made that very resistance of the Indian Government a subterfuge and excuse for itself—that as the Government of India refuses they could not carry out the resolution! And the House of Commons had, as usual on Indian matters, one more disregard and insult.

190. And thus was one more disappointment—the bitterest of all the 64 years' of disappointments the people of India have suffered. And yet there are men who raise up their hands in wonder that there should be any dissatisfaction among the Indians, when they themselves are the very creators of this discontent and great suffering.

191. I have referred to Lord Kimberley's actions, which showed how he was actuated from the very beginning. Now, even *before* the despatch was sent to India, Lord Kimberley himself showed his full hand, and let the Government of India know, by anticipation, his entire resistance to the Resolution within nine days of the passing of the Resolution on 2nd June, 1893, and ten days *before* the despatch was sent to India. He said (dinner to Lord Roberts by the Lord Mayor—*Times*, 13th June, 1893):

192. "There is one point upon which I imagine, whatever may be our party politics in this country, we are all united: that we are resolutely determined to maintain our supremacy over our Indian empire. That I conceive is a matter about which we have only one opinion, and let me tell you that that supremacy rests upon three distinct bases. One of those bases, and a very important one, is the loyalty and good-will of the Native princes and population over whom we rule. Next, and not less important, is the maintenance of our *European* Civil Service, upon which rests the foundation of our administration in India. . . . . Last, not because it is the least, but because I wish to give it the greatest prominence, we rest also upon the magnificent European force which we maintain in that country, and the splendid army of native auxiliaries by which that force is supported. . . . . Let us firmly and calmly maintain our position in that country; let us be thoroughly armed as to frontier defences, and then I believe we may trust to the old vigour of the people of this country, come what may, to support our supremacy in that great empire."

193. Now, if it was as he said, there was only one opinion and such resolute determination, why on earth was all the fuss and expense of a Public Service Commission made? If European service was a resolute determination, was it not strange to have the subject of simultaneous examinations taken up at all by the Commission on grounds of *reason*—when it was a resolute, arbitrary, foregone conclusion? And why was the statutory service disturbed, when it had been settled by Northcote, Argyll, and Salisbury, and Parliament, as a solution of compromise?

194. In connection with India generally, the Englishman (with some noble exceptions) deteriorates from a lover of liberty to a lover of despotism without the slightest regard as to how the Indians are affected. He suddenly becomes a superior, infallible being, and demands that what he does is right, and should never be questioned. (Mr. Gladstone truly called the "argument "and law of force" as the law and argument of the present Anglo-Indian rule.)

195. My remarks about Lord Kimberley are made with much pain. He is one of the best Englishmen I have ever met with. But our misfortune is this: Secretaries of State (with few exceptions) being not much

conversant with, or students of, the true Indian affairs, place themselves in the hands of Anglo-Indians. If, fortunately, one turns out capable of understanding the just claim of the Indians and does something, some successor, under the everlasting influence of permanent officials, subverts the justice done, and the Indian interests perish, with all their dire consequences. A Sir Stafford Northcote gives, a Lord Cross snatches away.

196. It will be seen that the very claim now put forward by the Indian authorities of having done a great favour by the "Provincial Service" is misleading and not justified. On the contrary, we are deprived of what we already possessed by an Act of Parliament (1870), of admission into the *full covenanted* Civil Service to the extent of about 180 or 200 appointments, while what is given to us with much trumpeting is a miserable "pariah close service" of about 95 covenanted specific appointments, and that even not confined to Indians, but open to Europeans also, and so devised that no regular admission (as far as I know) on some organised system and tests are adopted, and I understand it to be said that some twenty or thirty years will elapse before the scheme will come into some regular operation. Can there be a greater blow and injustice to the Indians and a greater discredit to the authorities? But what is worst of all is that insidious efforts are made to undermine and destroy all our charters of equal British citizenship with the people of this country.

197. Lord Kimberley's speech in support of the present system is the best justification of what Macaulay had said, that "the heaviest of all yokes is the yoke of the stranger." For he does not say a word that if England employs the European Agency for its own sake he should think it just that England should pay for it, or, at least, the greater portion or half of it. Any such act of justice does not seem to occur to the Anglo-Indian "Masters." India alone must pay for whatever the Master wills. And Britain cares not, as it has nothing to pay. Worse still, the masters do not seem to care what deterioration of character and capacity — material and moral — is caused to the Indians.

198. As to the fitness and integrity of the Indians in any kind of situation—military or civil—there is now no room for controversy, even though they have not had a fair trial they have shown integrity, pluck, industry, courage, and culture, to a degree of which the British people may well be proud, as being the authors of it. I have already touched upon the point of fitness in one of the statements.

199. About loyalty. In the despatch of 8th June, 1880, the Government of India itself said; "To the "minds of at least the educated among the people of "India—and the number is rapidly increasing—any "idea of the subversion of British power is *abhorrent* "from the consciousness that it must result in the "wildest anarchy and confusion."

200. The fact is that because India asks and hopes for *British* rule on *British* principles, that the educated are devotedly loyal, and regard their efforts for this purpose as their highest and best patriotism. Nothing can be more natural and sensible.

SUMMARY.

201. In 1833 a noble clause was passed by Parliament —everything that the Indians could desire. Had the Executives loyally and faithfully carried out that clause, India would have been in the course of more than sixty years a prosperous and contented and deeply loyal country, and a strength and a benefit to the British Empire to an extent hardly to be conceived or realised at present, when, by an opposite course, India is afflicted with all the horrors and misery to which humanity can possibly be exposed. After 1833, twenty years passed, but nothing done. Fresh efforts were made in Parliament to put the Indians on the same footing as British subjects, by simultaneous examinations in this country and India. Stanley, Bright, Rich, and others protested to no purpose; the violation of the Act of 1833 continued.

202. Then came the great and glorious proclamation of the Queen in 1858, and a new bright hope to the Indians, but not fulfilled up to the present day. In 1860 a Committee of five members of the Council of the Secretary of State pointed out the dishonour of the British name, and reported that simultaneous examinations were the best method to do justice to the Act of 1833—to no purpose; the Report was suppressed, and the public knew nothing about it. In 1867 the East India Association petitioned for the admission into the Covenanted Civil Service of a small proportion of Indians. Sir Stafford Northcote admitted the justice of the prayer, and proposed a clause to give a partial fulfilment of the Act of 1833. The Duke of Argyll passed it. Lord Salisbury approved of it, but pointed out how the jealousy of the Anglo-Indians would wreck it—a prophecy which did not take long to be fulfilled.

203. The Government of India resisted tooth and nail, and made some outrageous proposals in the despatch of 2nd May, 1878. It was then that Lord Lytton, in a minute, admitted the unworthy policy of "subterfuges" upon which the executives had all along acted since 1833.

204. A strong and justly inclined Secretary (Lord Cranbrook) persisted, brushed aside all resistance and plausibilities, and compelled the Government of India to give effect to the clause. The Government of India, with bad grace and very reluctantly, made the rules—cleverly drawn up to throw discredit upon the service—the worst part was rejected by Lord Cranbrook; but an insidious device remained, and the appointments were begun to be made. The Anglo-Indians boiled with rage, and the explosion on the Ilbert Bill was the open declaration of war.

205. The agitation subsided, but the appointments having remained to be continued, the boiling under the crater continued, and, instead of exploding, the Government resorted to other devices, and gained their settled object with a vengeance—the report of the Public Service Commission confirmed the foregone conclusions against the Statutory Service and simultaneous examinations, and in favour of the "Close Service."

206. The whole position has been thrown back worse than it ever was before.

207. A Conservative (Sir Stafford Northcote) proposed, and a Liberal (Duke of Argyll) passed, the Act of 1870 to do some justice. A Conservative (Lord Cranbrook) insisted upon carrying it out. A Liberal (Lord Kimberley) began to undermine it, and another Conservative (Lord Cross) gave it the death-blow—though, to the humiliation of the House of Commons, the Act remains on the statute book. To-day something given, to-morrow snatched away; Acts and Resolutions of Parliament and Proclamations notwithstanding.

208. Once more Parliament did justice and passed the Resolution, in 1893, for simultaneous examinations, to share the same grievous fate as all its former enactments. And the Indian Executive thus stands proclaimed the supreme power over the heads of all—Parliament, People, and Sovereign.

209. The whole force and object of the two references to our Commission is to reply to Sir Henry Fowler's most important challenge, and that reply mainly depends upon the consideration of the way in which the clauses in the Acts of 1833 and 1870 and the Proclamations are dealt with.

210. Sir Henry Fowler's challenge is this:—The question I wish to consider is, whether that Government, with all its machinery as now existing in India, has, or has not, promoted the general prosperity of the people of India, and whether India is better or worse off by being a Province of the British Crown; that is the test.

211. The question of remedy I have already dealt with in one of my representations to the Commission (Appendix E.)

212. My whole earnest anxiety is, that righteous means may be adopted by which the connection between the two countries may be strengthened with great blessings and benefits to both countries. I speak freely, because I feel strongly that it is a thousand pities that a connection than *can* be made great and good to both countries is blindly being undermined and destroyed with detriment to both. My previous statements have clearly shown that. The whole question of the *blessing* of the connection of England and India upon both countries rests mainly upon the honourable and loyal fulfilment of the Act of 1833 and the Proclamation of 1858: "Righteousness alone will exalt a nation;" "Injustice will bring down the mightiest to ruin" (Salisbury).

213. I conclude with my earnest hope and prayer, that our Commission will pronounce clearly upon all the vital questions involved in their two references on which I have submitted my views.

Yours truly,

DADABHAI NAOROJI.

APPENDIX.

EXTRACT FROM MR. WILLIAM DIGBY'S LETTER OF 8TH MAY, 1889, TO LORD CROSS.

I.—SIMULTANEOUS EXAMINATIONS IN INDIA AND IN ENGLAND.

214. In asking for the examinations for the Covenanted Civil Service to be held simultaneously in India and in England, solely on the grounds of equal justice to the Indian and English subjects of the Queen-Empress, the people of India are simply taking up the position provided for them by the Special Committee of the India Office which sat and reported in 1860. That Committee recommended, as being only fair, the holding, "simultaneously, two examinations, one in "England and one in India, both being, as far as "practicable, identical in their nature." They further recommended that those who compete in both countries should be finally classified in one list, according to merit, by the Civil Service Commissioners. "Were "this inequality removed," added the Committee, "we "should no longer be exposed to the charge of keep-"ing promise to the ear and breaking it to the hope." The proposal for simultaneous examinations had its genesis in your lordship's office, those who proposed it were English officials, and in asking for its adoption Indians are merely acting upon the sense of justice of Englishmen highly experienced in Indian affairs.* It will be obvious, therefore, that such a claim as is put forward is compatible with perfect loyalty to the maintenance of the connection between England and India. The Committee, as will be seen on reference to their Report, were not unanimous in all their conclusions, but on the point I have referred to there was perfect unanimity.

215. On the question of simultaneous examinations, the Public Service Commission reported, in brief, as follows: "That it is inexpedient to hold an examina-"tion in India for the Covenanted Civil Service "simultaneously with the examination in London" ("Summary of Conclusions and Recommendations," para. 128, p. 140). I refer, in this letter, to the summary rather than to the detailed statements in the Report, as I do not at present wish to contest each statement in paragraph 60. Should, however, such an examination become necessary, a criticism in detail of the observations made by the Commissioners cannot, in view of what follows, be less condemnatory than the remarks to be made upon the summary.

216. The recommendation of the Commissioners, my lord, on the question of simultaneous examinations is against the weight of evidence taken by them. An analysis of the opinions expressed by the witnesses and of the witnesses themselves reveals the most startling results. Evidently the Commission has not examined the evidence, or taken it into due consideration. There are, too, certain grave incidents in connection with the manner in which this portion of the evidence was obtained, and the foregone conclusion to which at least one highly placed Member of the Commission had committed himself, as render it more than ever improbable that the Report of the Commission can be held to be deserving of your lordship's confidence or commendation, and which wholly militate against legislation being undertaken to give the recommendations, or some of them, the force of law.

217. I will take the witnesses examined Presidency by Presidency and Province by Province, and show in what direction the balance of testimony lies.

* The members of the Committee were: Mr. J. P. Willoughby, Sir Erskine Perry, Sir W. H. Arbuthnot, Mr. Ross D. Mangles, and Sir E. Macnaghten.

1.—BENGAL.

Total number of witnesses examined -	—	—	195
For simultaneous examinations -	—	143	
Against " " -	—	35	
Majority for - - -	101	—	
Neutral or doubtful - - -	—	17	
			195

2.—MADRAS.

Total number of witnesses examined -	—	—	100
For simultaneous examinations -	—	63	
Against " " -	—	25	
Majority for - - -	38	—	
Neutral or doubtful - - -	—	12	
			100

3.—BOMBAY.

Total number of witnesses examined	—	—	112
For simultaneous examinations -	—	64	
Against " " -	—	38	
Majority for - - -	26	—	
Neutral or doubtful - - -	—	10	
			112

4.—NORTH-WEST PROVINCES AND OUDH.

Total number of witnesses examined -	—	—	68
For simultaneous examinations -	—	31	
Against " " -	—	29	
Majority for - - -	2	—	
Neutral or doubtful - - -	—	8	
			68

5.—THE PANJAB.

Total number of witnesses examined -	—	—	80
For simultaneous examinations -	—	36	
Against " " -	—	26	
Majority for - - -	10	—	
Neutral or doubtful - - -	—	18	
			80

6.—CENTRAL PROVINCES.

Total number of witnesses examined -	—	—	42
For simultaneous examinations -	—	24	
Against " " -	—	10	
Majority for - - -	14	—	
Neutral or doubtful - - -	—	8	
			42

SUMMARY.

Province.	For.	Against.	Doubtful.
1. Bengal - - -	143	35	17
2. Madras - - -	63	25	12
3. Bombay - - -	64	38	10
4. North-West Provinces and Oudh.	31	29	8
5. The Panjab - - -	36	26	18
6. Central Provinces - -	24	10	8
Totals - -	361	163	73

Majority for - - - 198, or 68·8 per cent.
" over Against and Doubtful - - 125, or 60·4 "

218. Of the 361 in favour it may be remarked, 49 or 13·5 per cent. were Europeans not from any one part of the Empire, but from all parts of India.

219. In their Report the Commissioners have not published any statistical information of the kind given above. To obtain it the evidence of every witness, whether his evidence were oral or written, has been examined.

220. The case against the Report, however, is only imperfectly shown even in the statements submitted in the above tabulated particulars. A closer analysis reveals much of great interest and of the highest value.

What is revealed increases one's wonder that, in face of the evidence they took, and in view of the instructions they received the Commissioners could have reported in the sense they adopted. An examination of the following figures will well repay any time bestowed upon them.

221. I.—BENGAL.

Class of Witness.	Europeans.			Indians.		
	For.	Ag.	Dbtfl.	For.	Ag.	Dbtfl.
1. Covenanted Civilians -	6	14	2	4	—	—
2. Statutory ,, -	—	—	—	3	—	1
3. Uncovenanted Service:						
a. Judicial and Executive.	—	2	1	22	5	1
b. Educational Department.	3	3	—	9	—	2
c. Others - -	—	3	—	1	1	1
4. General Public:						
a. Barristers, Vakils, and Solicitors.	1	2	1	39	1	1
b. Zemindars - -	—	—	—	20	1	—
c. Merchants - -	—	—	3	2	—	—
d. Others - -	1	2	2	8	1	—
5. English Newspapers -	2	—	—	5	—	—
6. Vernacular ,, -	—	—	—	10	—	—
7. Associations and Societies	—	—	—	6	—	—
8. Secretary, Government of India, and High Court Judges.	—	—	2	1	—	—
Totals - -	13	26	11	130	9	6

222. An examination in detail of the facts summarised above shows that—

(1) Among Europeans the Hon. H. J. Reynolds, C.S.I., Mr. H. J. S. Cotton, Mr. H. M. Kisch, Mr. H. Beveridge, and Mr. C. B. Garret, all civilians of high position, Mr. A. O. Hume, C.B., a retired official of great experience, long service, and almost unequalled knowledge of the country and the people; and

(2) Sir A. W. Croft, K.C.I.E., Director of Public Instruction for Bengal, and Mr. C. H. Tawney, M.A., Principal of the Presidency College, Calcutta, among Educationalists,

were in favour of simultaneous examinations. Of the Indian figures it may be stated that in Class 3*a* against the proposal two of the witnesses were Mahomedans, in Class 4*a* the solitary individual was a Mahomedan, and in Class 4*d* the same thing is true, with this difference, that the witness was a gentleman holding a high position in a Native-Indian State, being Secretary to the Council of his Highness the Nizam of Hyderabad. As much is made of Mahomedan opposition to simultaneous examinations, it may be added here that the principal Moslem officials of Hyderabad were examined—one at Calcutta, one at Madras, others at Bombay. I think it is due that I should state in detail the Indian witnesses in Bengal who gave evidence in favour of simultaneous examinations: a scrutiny of their names and of the positions they hold will unmistakably show that the leading men of wealth, attainments, and position—alike in the professions, in commerce, and in society—are heartily in favour of their countrymen being permitted, by a first examination in India, to compete for the highest places in the gift of the Government of India. They, who have most to lose, are not afraid of ill consequences following. Nearly all that is eminent, learned, energetic, and loyal in Bengal is to be found represented in the following list. A more remarkable consensus of opinion than is afforded in this list could not be obtained in regard to any matter of high importance in any country. I lay the more stress upon the testimony of Bengal for this, probably sufficient, reason. In the Lower Provinces alone in the Empire is there, on any large scale, private property in land. Lord Cornwallis's Permanent Settlement and the creation of a large body of Zemindars have, in Bengal, called a wealthy class into existence. If anywhere in India, it is in Bengal that men are most interested in the maintenance of a strong, efficient, and stable administration. Elsewhere in the Empire the ryotwari system of land tenure does not admit of the growth, on any extensive scale, of a wealthy and cultured class connected with the land. Yet it is in Bengal, where, as I have already said, men have most to lose, that there is the heartiest support, from Hindus and Mahomedans alike, of the proposal for holding simultaneous examinations in England and in India. To anyone acquainted with the personnel of Indian Society in Bengal, the names of the Maharaja Jotendro Mohun Tagore, K.C.S.I., the Maharaja of Durbhanga, Babu Joykissen Mukerji, Kumar Nil Krishna Deb, Nawab Wilayat Ali Khan Bahadur, among Zemindars; Rajah Durga Churn Laha among Merchants, himself the Prince of Indian Merchants; the Hon. C. M. Ghose, High Court, Calcutta, the Hon. Dr. Mohendro Lal Sircar, C.I.E., Nawab Abdul Latif Bahadur, C.I.E. (whose weight and influence with a large section of his community it is impossible to overrate), among Judicial officers; the thirty-nine barristers, vakils, and solicitors mentioned in Class IV*a*., and the gentlemen whose names are given in all the other classes, will be held to represent the flower of wealth, culture, influence, and weighty good sense among seventy millions of people. Of one hundred and forty-four witnesses examined in Bengal—

129 were for Simultaneous Examinations,
9 ,, against,
6 ,, doubtful.

223. That the British Indian Association should have given evidence in favour of the change is, from the point of view of security, of great importance. Its action is as if the Carlton, the Junior Carlton, the St. Stephen's, and the Constitutional Clubs of London were to make a deliverance to the Government of the day on some important matter. Whatever might be said of such a deliverance, it could not be called revolutionary. Considering that Bengal has a third of the whole of the inhabitants of British India within its borders, that Hindu witnesses were ten to one in favour, that nearly one-half of Indian Mahomedans live in this Presidency, and that of fourteen witnesses of this faith examined,

10 were for Simultaneous Examinations, and only
4 ,, against,

the testimony is of so remarkable and so weighty a character as to unprejudiced minds, I submit, to be irresistible. To scorn, or set aside on insufficient grounds, such a representation is to invite discontent.

224. Of Europeans who were examined in Bengal, it is true, there were forty-three against to fourteen in favour. It would be invidious for me to set names on either side against one another, but if this were permissible the force of experience and authority would clearly tell in favour of the smaller numbers. The list of Indians is as follows:—

BENGAL.

INDIANS IN FAVOUR OF SIMULTANEOUS EXAMINATIONS.

225. CLASS I.—COVENANTED CIVIL SERVICE.

Con. No.	No. in Rept.	
1	11	Brojo Nath De, Esq., C.S., Joint Magistrate, Hughli.
2	16	K. G. Gupta, Esq., C.S., Barrister-at-Law, Joint Magistrate and Deputy Collector, Nuddeah.
3	47	B. L. Gupta, Esq., C.S., Officiating District and Session Judge, Furridpore.
4	49	Romesh Chunder Dutt, Esq., Joint Magistrate and Deputy Collector, Bakhergunje.
		Total of Class I. 4

226. CLASS II.—THE STATUTORY CIVIL SERVICE.

1	45	Bu. Ambica Churn, Sen., Assistant Magistrate and Collector, Shahabad.
2	23*s*	Bu. Nanda Kumar Bose, Statutory Civil Service.
3	28*s*	Bu. Surjya Kumar Agasti, Statutory Civil Service.
		Total of Class II. 3

227. CLASS III*a*.—UNCOVENANTED SERVICE, JUDICIAL AND EXECUTIVE.

1	6	Bu. Brojendro Kumar Seal, B.L., District Judge, Bankurah, and Assistant Session Judge, Burdwan.
2	38	Hon. Moulvi Abdul Jubbar, Member of the Bengal Legislative Council, Deputy Magistrate, 24 Pergunas.

Con. No.	No. in Rept.	
3	44	Bu. Obhoy Chunder Dos, Deputy Magistrate and Deputy Collector, 24 Pergunnahs.
4	51	Sarat Chunder Banerji, Esq., M.A., B.L., Extra Assistant Commissioner, Kamrup, Assam.
5	53	Lalla Hukum Chand, M.A., Registrar, High Court, Hyderabad.
6	75	Maulvi Abdul Bari, a member of the Subordinate Judicial Service.
7	76	Bu. Girish Chunder Choudhury, First Subordinate Judge, Patna.
8	82	Bu. Durgagoti Banerji, Deputy Magistrate and Deputy Collector.
9	83	Bu. Srinath Roy, Fourth Judge of the Small Cause Court, Calcutta.
10	85	Bu. Tariny Churn Ghose, Deputy Collector.
11	86	Bu. Rajendra Nath Mitter, Deputy Collector.
12	92	Bu. Chundi Churn Sen, Munsiff, Krishnagar.
13	94	Bu. Bhola Ram Mullick, Third Grade Subordinate Judge, and Judge Small Causes Court, Pubna.
14	114	Bu. Anundo Chunder Sen, Deputy Collector.
15	116	Akhay Kumar Sen, Deputy Magistrate Fourth Grade, and Personal Assistant to the Commissioner.
16	117	Bu. Bani Madhub Mitter, Subordinate Judge, Dacca.
17	128	Bu. Mohendro Nath Mitter, Judge Small Causes Court, Dacca and Munshigunje.
18	143	Bu. Kunjo Lal Banerji, late Second Judge, Calcutta Court of Small Causes.
19	147	Bu. Issur Chunder Mitter, of the Subordinate Executive Service.
20	155	Rai Ram Shunker Sen Bahadur, Retired Deputy Magistrate.
21	162	Bu. Kali Charan Ghose, Deputy Collector.
22	5s	Rai S.C. Banerji, Extra Assistant Commissioner, Assam.
		Total of Class IIIa - - 22

228. Class IIIb.—Educational Department.

1	17	Rev. Lal Behari De, Professor, Hughli College.
2	124	Maulvi Abdul Khair Mahomed Sadiq, Superintendent, Dacca Madrissa.
3	125	Bu. Jagat Bundhu Laha, Headmaster, Dacca, Normal School.
4	127	Bu. Iswar Chunder Bose, Headmaster, Collegiate School, Dacca.
5	135	Bu. Shoshee Bhushun Dutt, Assistant Professor, Dacca College.
6	146	Bu. Chunder Mohun Ghose, Teacher of Anatomy in the Campbell Medical School.
7	149	Bu. Radhica Prasanna Mukerji, Acting Inspector of Schools, Presidency Circle.
8	151	Dr. P. K. Roy, Professor Presidency College, Calcutta.
9	18s	Bu. Bhudeb Mukerji, Inspector of Schools (Retired).
		Total of Class IIIb - - 9

229. Class IIIc.—Uncovenanted Service—Unclassified.

1	93	Bu. Abinash Chunder Bose, Treasurer, Accountant General's Office, Bengal.
		Total of Class IIIc - - 1

230. Class IVa.—Barristers, Vakils, and Solicitors.

1	10	Hon. Kali Nath Mitter, Member Bengal Legislative Council, Attorney High Court.
2	29	Bu. Girija Bhushan Mukerji, B.A., B.L., Pleader, High Court.
3	32	Bu. Mohesh Chunder Choudhury, Vakil, High Court.
4	40	M. N. Ghose, Esq., Barrister-at-Law, High Court, Calcutta.
5	42	Monomohun Ghose, Esq., Barrister-at-Law, High Court, Calcutta.
6	43	Bu. Rash Behari Ghose, LL.D., Pleader, High Court, Member Bengal Legislative Council.
7	59	Saraf-ud-din, Esq., Barrister-at-Law.
8	64	Bu. Guru Proshad Sen, Pleader, High Court, practising at Patna.
9	65	Maulvi Khuda Baksh, Government Pleader, Patna.
10	66	Bu. Bisseshwur Sing, Pleader of the District Judge's Court, Shahabad.
11	73	Bu. Bhup Sen Sing, Pleader, High Court.
12	74	Bu. Jodw Nath Sahai, Pleader, High Court.
13	77	Bu. Chutturbhuj Sahai, Pleader, District Court, Patna.
14	78	Bu. Joy Prokash Lal, Pleader, and Dewan Drunraon Raj.
15	79	Bu. Basant Kumar Bose, Vakil, High Court.
16	80	Bu. Debendro Chunder Ghose, Pleader, High Court.
17	88	Bu. Jadub Prosonno Shome, Pleader, District Court, Allahabad.
18	89	Bu. Upendra Chandra Mitter, Vakil, High Court.
19	95	Bu. Jibun Krishna Ghose, Pleader, Judge's Court, Alipore.
20	97	Bu. Kali Nath Mukerji, Pleader, High Court.
21	100	Bu. Annada Prosad Banerji, Government Pleader, High Court.
22	102	Bu. Ambica Churn Bose, Pleader, High Court.
23	103	Bu. Ishur Chunder Chuckerburty, Pleader, High Court.
24	105	Bu. Girish Chunder Choudhury, Pleader, High Court.
25	106	Bu. Okhil Chunder Sen, Pleader, High Court.
26	107	Saligram Sing, Pleader, High Court.
27	108	Bu. Trailakya Nath Mitter, Pleader, High Court, President Serampore Municipality.
28	111	Bu. Ashutosh Biswas, Pleader, High Court.
29	113	Bu. Dina Nath Dhur, Government Pleader, District Court, Dacca.
30	120	Bu. Rojoni Nath Bose, Vakil, High Court.
31	123	Bu. Rajani Kanto Choudhuri, Pleader, District Judge's Court, Calcutta.
32	126	Bu. Trailakya Nath Bose, Pleader, High Court.
33	133	Bu. Anundo Chunder Ray, Pleader, District Court.
34	134	Bu. Surrat Chunder Gupta, Pleader, Judge's Court; elected Chairman of the Local Board, and a Member of the District Board of Dacca.
35	138	Bu. Gobind Chunder Das, Pleader of the Dacca Judge's Court and High Court,
36	140	Bu. Keshub Chunder Acherji, Pleader, Judge's Court, Mymensing, Zemindar, Member of the Local Board, &c.
37	156	Bu. Mrityunjoy Roy, a Pleader of the High Court.
38	163	Bu. Durga Mohun Das, Pleader, High Court.
39	20s	Hon. Rao Saheb Vishva Nath Naryan, Mandelik, C.S.I., Additional Member of the Council of the Viceroy, Government Pleader, High Court, Bombay.
		Total of Class IVa - - 39

231. Class IVb.—Zemindars.

1	28	His Highness Maharajah Sir Luchmeshwar Sing Bahadur, K.C.I.E., of Durbhanga.
2	41	Bu. Joy Kissen Mukerji, Zemindar, 24 Pergunnahs.
3	58	Nawab Wilayat Ali Khan Bahadur, Patna.
4	60	Maulvi Syad Fuzl Imam, Zemindar, Vice-President, Patna Municipality, Member of the District Board.
5	62	Rai Joy Kissen, Patna.
6	70	Rajah Rameshwar Sing Bahadur, younger brother of the Maharajah of Durbhanga.
7	84	Bu. Charu Chunder Mitter, Zemindar in Allahabad and Hughli, Senior Vice-Chairman, Allahabad Municipality.
8	109	Maulvi Fuzl-ul-Rahman, Vice-Chairman, Nattore Municipality, Zemindar in Rajshaye.
9	118	Khajah Mahommed Ashgar, Vice-Chairman of the District Board of Dacca.
10	130	Bu. Radha Balhab Choudhury, Zemindar and Honorary Magistrate, Vice-Chairman, Municipal Board, Sherepore Town.
11	139	Bu. Madan Mohun Bysack, Merchant and Zemindar, Dacca.
12	144	Bu. Binode Behary Roy, eldest son of Bu. Chuckhun Lal Roy, of Chagdigi, Zemindar.

Con. No.	No. in Rep.	
13	148	Bu. Jogendro Chunder Ghose, Zemindar.
14	152	Roy Jogendro Nath Choudhury, Zemindar, Taki.
15	158	Kumar Nil Krishna Deb, of the Shobhabazar Deb family.
16	160	Rai Jodu Nath Bahadur, Zemindar, in the district of Nudden.
17	161	Bu. Tara Prosad Mukerji, Zemindar, Chairman of the Bevelgunje Municipality.
18	166	Bu. Hem Chunder Ghose, Zemindar, Hughli.
19	11s	Maharajah Sir Jotendro Mohun Tagore, K.C.S.I.
20	12s	Bu. Abhoy Churn Goho, Zemindar, Banian &c., &c.
		Total of Class IVb - - 20

232. CLASS IVc.—MERCHANTS.

1	22	Rajah Durga Churn Laha, Merchant, Calcutta.
2	110	Bairamji Nusserwanji, Esq., Merchant, Calcutta.
		Total of Class IVc - - 2

233. CLASS IVd.—GENERAL PUBLIC, UNCLASSIFIED.

1	26	Hon. Dr. Mohendra Lal Sircar, C.I.E., Hon. Presidency Magistrate, Calcutta, Member of the Bengal Legislative Council, Calcutta.
2	48	Nawab Abdul Lutif Bahadur, C.I.E.
3	87	Bu. Dhirendra Nath Pal, Private Gentleman, Jessore.
4	90	Bu. Ashutosh Mukerji, B.A., &c., &c.
5	96	Bu. Chunder Sekhur Gupta, Government Pensioner.
6	99	Bu. Nilkanto Chatterji, M.A.
7	154	Dr. Annada Prosad Kastgiri.
8	159	Pundit Jadubeshwur Tarka Ratna Tole Pundit in Rangpore.
		Total of Class IVd - - 8

234. CLASS V.—ENGLISH NEWSPAPERS.

1	5	Bu. Norendro Nath Sen, Editor, *Indian Mirror*.
2	12	Bu. Surendro Nath Banerji, Editor, *Bengali*.
3	104	Bu. Moti Lal Ghose, on the staff of the *Amrita Bazar Patrika*.
4	119	Bu. Shoshi Bushun Roy, Editor, *Decca Gazette*.
		Total of Class V. - - 4

235. CLASS VI.—VERNACULAR NEWSPAPERS.

1	122	Bu. Kali Prosonno Ghose, Manager of the estate of Raja Rajendro Narain Roy Chowdhury, and Editor of a literary journal.
2	129	Bu. Obhoy Churn Nag, Editor of the *Charu Varta*, and a Pleader in the Judge's Court, Mymensing.
3	150	Pundit Sadananda Misra, Editor of the *Sarshudhanidhi*.
4	157	Bu. Akhoy Kumar Sircar, Editor of the *Nobo Bibhakar* and *Sadharani*.
5	165	Bu. Krishna Kumar Mitter, Editor of the *Sanjibani* newspaper.
6	7s	Bu. Prokash Nath Mullick, Editor, *Samay* newspaper, Calcutta.
7	19s	Editor, *Prajabundhu* newspaper.
8	21s	Editor, *Bangabashi* newspaper.
9	25s	Editor, *Sansodhini* newspaper.
10	27s	Bu. Bani Madhub Datta, Editor, *Dainik* newspaper.
		Total of Class VI. - - 10

236. CLASS VII.—ASSOCIATIONS AND SOCIETIES.

1	136	Bu. Satish Chunder Ghosh, Honorary Secretary and Delegate of the Parjoar Association.
2	142	Bu. Janendro Nath Bose, Delegate of the Sripur Hitashani Sabha, and Taki Hitakari Sabha, Professor of Ripon College.
3	145	Bu. Hari Nath Sen, Delegate of the Baraset Association, Sub-Inspector of Schools.
4	153	Bu. Kishory Mohun Ganguly, Delegate of the Shibpore Ratepayers' Association.
		Total of Class VII. - - - 4

Con. No.	No. in Rep.	
		237. CLASS VIII.—HIGH COURT JUDGES, &c.
1	46	Honourable Chunder Madhub Ghose, Judge, High Court, Bengal.
		Total of Class VIII. -

238. The authorities who would lightly set aside such an expression of opinion would incur a most serious risk. The very significant fact is elicited by this examination of evidence that, as I have already remarked, there are actually ten Mahomedan witnesses in favour of simultaneous examinations against four who object to them; two are neutral. Thus, in the largest province in the Empire, where nearly half the Mahomedans in British India are located, there are twice as many Mahomedan witnesses in favour than there are against! This circumstance robs the following sentence from the Report of much of its value:—"Under the second [*i.e.*, "'evidence' given by others who feel that, in the present "'circumstances of the country, important classes of "'the community are practically debarred from success "'in examinations designed mainly as tests of educa-"'tional fitness'] may be included the majority of the "witnesses belonging to the Mahomedan community." (Paragraph 60 of Commissioners' Report.) The statement is technically correct, but in its essentials is strangely misleading. As I shall shortly have occasion to show, the evidence of Mahomedan witnesses was taken in a manner which causes grave suspicion as to perfect fairness. For example, fifteen Mahomedan gentlemen were considered sufficient to express the opinions and views of twenty-three millions of Bengal Mahomedans: fifteen (the same number) were thought necessary to perform a similar duty for six millions in the Panjab, while sixteen were called in the North-Western Provinces, where there are less than twelve millions of Moslems.* Fairly dealt with, and all the considerations taken into account, the utterance of the Commissioners respecting Mahomedan evidence which I have quoted is scarcely fair, inasmuch as it deals with a set of facts differing in important particulars, in each Presidency or Province. The mere enumeration of figures in such a case would be gravely misleading. Yet this is what the Commission appears to have done.

239. The tables in regard to the other Presidencies and Provinces I give without comment. The details, however, are at your lordship's service should they be desired. Those details are omitted solely from a wish not to make this communication too long. An examination of them shows me that what I have said of Bengal might be said of the other parts of the Empire.

240. 2.—MADRAS.

Class of Witness.	Europeans.			Indians.		
	For	Ag.	Neut.	For.	Ag.	Neut.
1. Covenanted Civil Service	3	2	3	—	—	—
1a. Military Officers in Civil Employ.	1	—	—	—	—	—
2. Statutory Civil Service	—	—	—	1	1	—
3. Uncovenanted Service:						
a. Judicial and Executive.	1	1	—	13	—	—
b. Educational Department.	1	5	2	3	1	1
c. Unclassified -	2	1	—	4	5	—
4. General Public:						
a. Barristers, Vakils, & Solicitors.	—	—	5	10	—	—
b. Zemindars - -	—	—	—	—	—	—
c. Merchants - -	—	—	—	1	—	—
d. Unclassified - -	1	1	—	8	5	—
5. English Newspapers -	—	—	—	2	—	—
6. Vernacular „ -	—	—	—	2	—	—
7. Associations and Societies	—	—	—	7	2	—
8. Members of Council and High Court Judges	—	1	1	3	—	—
Totals -	9	11	11	54	14	1

* The Population figures are taken from the Census Returns of 1881.—WM. D.

241. 3.—Bombay.

Class of Witness.	Europeans.			Indians.		
	For	Ag.	Neut.	For	Ag.	Neut.
1. Covenanted Civil Service	5	16	—	2	—	—
1a. Conservator of Forests	—	—	1	—	—	—
2. Statutory Civil Service -	—	—	—	2	1	—
3. Uncovenanted Service :						
a. Judicial and Executive.	—	3	1	9	4	—
b. Educational Department.	3	4	1	5	2	1
c. Unclassified -	—	—	—	1	—	—
4. General Public :						
a. Barristers, Vakils, & Solicitors.	—	—	1	7	1	—
b. Zemindars -	—	—	—	—	—	—
c. Merchants -	—	—	—	—	1	—
d. Unclassified -	—	—	1	11	3	2
5. English Newspapers -	1	—	—	3	—	—
6. Vernacular „ -	—	—	—	5	—	—
7. Associations and Societies	2	—	—	6	2	—
8. Members of Council and High Court Judges	—	—	2	2	1	—
Totals -	11	23	7	53	15	5

242. 4.—North-Western Provinces and Oudh.

1. Covenanted Civil Service	1	8	3	—	1	—
2. Statutory Civil Service -	—	—	—	1	1	—
3. Uncovenanted Service :						
a. Judicial and Executive.	1	—	1	4	7	—
b. Educational Department.	—	1	1	—	—	—
c. Unclassified - -	—	—	—	—	—	—
4. General Public :						
a. Barristers, Vakils, and Solicitors.	3	1	1	4	1	1
b. Zemindars - -	—	—	—	9	3	—
c. Merchants - -	—	—	—	—	—	—
d. Unclassified - -	—	—	—	1	2	—
5. English Newspapers -	—	—	—	—	—	—
6. Vernacular - -	—	—	—	—	1	—
7. Associations and Societies	1	—	—	5	2	—
8. Members of Council and High Court Judges.	—	1	1	1	—	—
Totals - -	6	11	7	25	18	1

243. 5. The Panjab.

Class of Witness	Europeans.			Indians.		
	For	Ag.	Neut.	For	Ag.	Neut.
1. Covenanted Civil Service	1	9	2	—	—	—
1a. Military Officers in Civil Employ.	—	2	—	—	—	—
2. Statutory Civil Service -	—	—	—	4	1	—
3. Uncovenanted Service :						
a. Judicial and Executive.	2	3	—	10	2	2
b. Educational Department.	3	—	—	1	2	—
c. Unclassified -	—	—	—	—	—	1
4. General Public :						
a. Barristers, Vakils, and Solicitors.	—	1	—	3	—	2
b. Zemindars - -	—	—	—	—	—	1
c. Merchants - -	—	—	—	—	—	—
d. Unclassified -	—	—	—	2	1	6
5. English Newspapers -	—	—	—	—	—	1
6. Vernacular Newspapers -	—	—	—	3	1	2
7. Associations and Societies	—	—	—	7	4	—
8. Members of Council and High Court Judges	—	—	1	—	—	—
Totals - -	6	15	3	30	11	15

244. 6. Central Provinces.

1. Covenanted Civil Service.	1	2	3	—	—	—
2. Statutory Civil Service -	—	—	—	—	—	1
3. Uncovenanted Service :						
a. Judicial and Executive.	—	—	3	5	5	—
b. Educational Department.	—	2	—	1	—	—
c. Unclassified -	—	—	—	—	—	—
4. General Public :						
a. Barristers, Vakils, and Solicitors.	2	—	—	4	—	1
b. Zemindars - -	—	—	—	2	—	—
c. Merchants - -	—	—	—	—	—	—
d. Unclassified -	—	—	—	3	1	—
5. English Newspapers -	—	—	—	1	—	—
6. Vernacular Newspapers -	—	—	—	2	—	—
7. Associations and Societies	—	—	—	3	1	—
8. Members of Council and High Court Judges	—	—	—	—	—	—
Totals - -	3	4	6	21	6	2

Summary of above Tables.

245. Europeans.

Presidency or Province.	1. Covenanted Civil Service.		1a. Special Officers.		2. Statutory.		3a. Uncov. Service, Judicial and Executive.		3b. Educational.		3c. Uncov. Service, Unclassified.		4a. General Public, Barristers, &c.		4b. Zemindars.		4c. Merchants.		4d. General Public, Unclassified.		5. English Newspapers.		6. Vernacular Newspapers.		7. Associations and Societies.		8. Members of Council and High Court Judges.	
	For	Ag.	For	Ag.	For	Ag.	For	Ag.	For	Ag.	For	Ag.	For	Ag.	For	Ag.	For	Ag.	For	Ag.	For	Ag.	For	Ag.	For	Ag.	For	Ag.
1. Bengal - -	6	14	0	0	0	0	0	2	3	3	0	3	1	2	0	0	0	0	1	2	3	0	0	0	0	0	0	0
2. Madras - -	3	2	1	0	0	0	1	1	1	5	2	1	0	0	0	0	0	0	1	1	0	0	0	0	0	0	0	1
3. Bombay - -	5	16	0	0	0	0	0	3	3	4	0	0	0	0	0	0	0	0	0	0	1	0	0	0	2	0	0	0
4. N.-W. Provs. and Oudh.	1	8	0	0	0	0	1	0	0	1	0	0	3	1	0	0	0	0	0	0	0	0	0	0	1	0	0	1
5. The Panjab -	1	9	0	2	0	0	2	3	3	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6. Central Provinces.	1	2	0	0	0	0	0	0	0	2	0	0	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Totals -	17	51	1	2	0	0	4	9	10	15	2	4	6	4	0	0	0	0	2	3	4	0	0	0	3	0	0	2

Europeans: For - - - - - - - - - - - - 49
Against - - - - - - - - - - - - 90
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246. INDIANS.

PRESIDENCY OR PROVINCE.	1. Covenanted Civil Service.		1a. Special Officers.		2. Statutory Civil Service.		3a. Uncov. Service. Judicial and Executive.		3b. Educational Department.		3c. Uncov. Service. Unclassified.		4a. General Public. Barristers, Vakils, &c.		4b. Zemindars.		4c. Merchants.		4d. General Public. Unclassified.		5. English Newspapers.		6. Vernacular Newspapers.		7. Associations and Societies.		8. Members of Council and High Court Judges.	
	For	Ag.	For	Ag.	For	Ag.	For	Ag.	For	Ag.	For	Ag.	For	Ag.	For	Ag.	For	Ag.	For	Ag.	For	Ag.	For	Ag.	For	Ag.	For	Ag.
1. Bengal - -	4	0	0	0	3	0	22	5	9	0	1	1	39	1	20	1	2	0	8	1	4	0	10	0	6	0	1	0
2. Madras - -	0	0	0	0	1	1	13	0	3	0	4	5	10	0	0	0	1	0	8	5	2	0	2	0	7	2	3	0
3. Bombay - -	2	0	0	0	2	1	9	4	5	2	1	0	7	1	0	0	0	1	11	3	3	0	5	0	6	2	2	1
4. N.-W. Provs. and Oudh.	0	1	0	0	1	1	4	7	0	0	0	0	4	1	9	3	0	0	1	2	0	0	0	1	5	2	1	0
5. The Panjab -	0	0	0	0	4	2	10	2	1	2	0	0	3	0	0	0	0	0	2	1	0	0	3	1	7	4	0	0
6. Central Provinces.	0	0	0	0	0	0	5	5	1	0	0	0	4	0	2	0	0	0	3	0	1	0	2	0	3	1	0	0
Totals - -	6	1	0	0	11	5	63	23	19	4	6	6	67	3	31	4	3	1	33	12	10	0	22	2	34	11	7	1

European Witnesses, For - - 49; Against - - 90; Total - - 139
Indians " " - - 312; " - - 73; " - - 385
361 163 524

247. The summary shews, as might have been expected, a decided preponderance of opinion among European Covenanted Civilians and Special Officers against simultaneous examinations. The numbers are 18 for, 55 against, or three to one against. It is surprising, all things considered, there should have been so many Europeans in favour of a proposal which, while it will do nothing to weaken but much to strengthen the connection of India with England, will certainly, when carried out, lessen the number of Europeans employed in India. When the examination of these tables is further proceeded with, and the Uncovenanted and non-official Europeans* are taken into account, the great disparity of numbers largely passes away. While there is still a majority of Europeans against it, it is comparatively small; the numbers are nearly equal, being 31 for, 37 against. When these numbers are set opposite to those of Indians on both sides, the result is, I venture to submit, overwhelming in its significance.

248. FOR OR AGAINST SIMULTANEOUS EXAMINATIONS.

EUROPEANS.

	For.	Against.
Covenanted Officials - -	18	53
Uncovenanted and non-Officials	31	37
Totals -	49	90

INDIANS.

	For.	Against.
Covenanted Officials - -	17	6
Uncovenanted and non-Officials	295	67
Totals -	312	73

249. Thus, while of European witnesses there are considerably less than two to one against, of Indians, including the disproportionate "cloud of witnesses" of the Mahomedan faith introduced in Madras, the North-West Provinces, and the Panjab, there are more than four to one for. From the tables given in para. 217 it will be seen that there is not a part of the Empire in which the majority of witnesses, European and Indian counted together, were not in favour of simultaneous examinations. It should not be forgotten that four-fifths of the witnesses examined were summoned as being persons whose opinions were of special value. Here it may be well to set out the names of the Europeans who gave evidence in favour. They are as follows:—

Hon. H. J. Reynolds, C.S.I.
Sir A. W. Croft, K.C.I.E.
H. Beveridge, C.S.
C. H. Tawney, M.A.
H. J. S. Cotton, C.S.
C. B. Garret, C.S.
H. M. Kisch, C.S.
A. O. Hume, C.B.
F. J. Rowe.
J. Kemp.
Hon. P. O'Sullivan.
J. H. Garstin, C.S.I.
H. E. Stokes, C.S.
E. Gibson, C.S.
J. H. H. Ellis.
J. R. Upshon.
Col. T. G. Clarke.
H. G. Turner, C.S.
Hon. F. Brandt.
G. Maddox.
W. Wordsworth.
G. W. Forrest.
G. Geary.
Hon. Justice West.
J. Monteath, C.S.
Sir W. Wedderburn, Bart.
J. Clarke.
A. Cotterell Tupp, C.S.
W. C. Nibbet.
F. C. Lewis, M.A.
Col. Holroyd.
Carr Stephen, C.S.
J. Sime, M.A.
G. Lewis, B.A.
W. Coldstream, C.S.
C. S. Arthur Wixon.
J. P. Goodridge, C.S.
F. W. Dillon.
A. Ewbank.
F. Wyer.
W. M. Elliott.
Rev. D. Mackenzie, M.A., D.D.

* I group these together, as, under the scheme of the Commissioners, it is intended they shall have the same privileges as Indians in regard to entrance into the Provincial Service.—WM. D.

250. *Record of Evidence according to Nationality.*

Presidency or Province.	Europeans.		Hindus.		Parsees.		Mahomedans.		Population.	
	For.	Ag.	For.	Ag.	For.	Ag.	For.	Ag.	Hindus.	Mahomedans.
1. Bengal	14	26	118	5	1	—	10	4	45,452,806	22,704,724
2. Madras	9	11	54	5	—	—	—	9	28,497,666	1,933,571
3. Bombay	11	23	27	6	20	3	6	6	17,834,985	3,774,360
4. N.-W. Provinces and Oudh	6	11	21	6	—	1	4	11	38,555,121	6,162,900
5. Panjab	6	15	23	2	—	—	7	9	9,252,295	11,662,434
6. Central Provinces	3	4	21	2	—	—	—	4	8,703,11	285,687
Totals	49	90	264	26	21	4	27	43	148,295,983	46,523,676

251. The record of evidence according to Nationality shows that Europeans and Mahomedans are in a majority, adverse, the proportions curiously being nearly the same—in both cases less than two to one against. The Hindus were ten to one in favour, the Parsees five to one. Such an expression of race opinion should, I submit, have been ascertained by the Commission, should have been mentioned in the Report, and due weight should have been given to it in the recommendations made. There are one hundred and fifty millions of Hindus in British India: representatives of the various Hindu races by ten to one are in favour of a particular course; there are fifty millions of Mahomedans, less than two are against this particular course to one in favour. All are Indians, all are Indian subjects of the Queen-Empress. They work cordially together in the every-day affairs of the Empire. They are good neighbours. Their numbers ought to be counted together. In the United Kingdom Scottish votes are not separated from English votes. Carry out this fair principle in the present instance, and it will be found the Indian votes are four to one in favour. Nevertheless, the Commission—whose Report, of course, should be according to the evidence [otherwise, why trouble about taking evidence?], makes recommendations in a contrary sense, declaring there was no consensus of opinion. A Report built upon such shifting sand cannot possibly stand.

252. Among those, in the above enumeration, designated Neutral or Doubtful, it is only fair to the cause I am urging that I should state, are some who make suggestions which, if acted upon, would find place in the Covenanted Service for a large proportion of Indians. For example:—

253. Mr. Larminie, Commissioner, Dacca Division, "Some posts should be reserved exclusively for Europeans—the rest for Indians";

Mr. Elliott, Public Prosecutor, Cuddapah, would give one-fourth of appointments to Indians;

Hon. M. Melvill, C.S.I., Member of Council, Bombay, would give one-fourth of appointments to Indians;

A. Ewbank, Esq., Principal of the Patna College, proposes the Statutory Service should be enlarged and recruited by nomination followed by real examination, till it reaches a third of the Civil Service;

F. Wyer, Esq., Civil Service, Collector and Magistrate, Dacca, objects on account of practical difficulties in the examination, advocates equal apportionment of appointments on political grounds, the Indian appointments again divided according to the religions of India;

Honourable P. O'Sullivan, Barrister-at-Law, Advocate-General, Madras—"If it is found to be practicable, this [simultaneous examinations] might be done;"

W. M. Elliot, Esq., Pleader and Public Prosecutor, Cuddapah, Madras:—If an apportionment of appointments be made, he has no objection to a simultaneous examination; he would give one-fourth of the apportionment;

Rev. D. Mackenzie, M.A., D.D., Principal, Free General Assembly's Institution, Bombay, wants the service to be recruited considerably by graduates.

254. It may, further, be remarked that the majority of the objections expressed to simultaneous examinations was owing to what is called the present insufficent educational advantages in India. No attempt seems to have been made by Sir Charles Aitchison or by Sir Charles Turner (they took the lead in examining on this point) to bring out the undoubted fact that—given the examinations in India—the teaching standard would, in time, necessarily be raised to the requisite height and fulness. All the consequential benefits were likewise ignored. That advancement all along the line, in every walk of life, advancement in which the backward classes would share, must result, and every profession in India incidentally gain, were wholly ignored. Equally was it ignored that an immense impetus would be given to the provision of educational facilities by Indians themselves, the Government thereby, in a measure, being relieved of a portion of the burden of higher education. Again, when it was so frequently tacitly assumed that Indians were not fitted for high administrative and executive posts, no one asked the obvious question how this could be known or how the difficulties in the way of overcoming it, if it existed, could be conquered until a trial was made. As a matter of fact, so far as trial has been made and Indians have been appointed to positions of responsibility, it is freely acknowledged that they have satisfied all expectations, and have discharged their duties with ability and integrity. What the Duke of Argyll has called the still more important point than that of efficiency even—namely, how the pledges of the British monarch and Legislature and British Statesmen as to equality of treatment could be fulfilled—was completely ignored. No more valuable branch of inquiry than this can be imagined, if equity is to mark our rule in India. The less to Europeans of some places in the Covenanted Service is as nothing compared to our reputation for good faith. "I would sacrifice Gwalior "or any frontier of India ten times," said the Duke of Wellington in 1802, "in order to preserve our "character for scrupulous good faith." Very little, if anything, was done by the Commissioners in the putting of questions calculated to elicit favourable observations on this branch of the inquiry, while it is not going too far to say that the tendency of the examination was to elicit objections.

255. How, to some extent, this came about, and how it was that the clear and emphatic prependerance of evidence in favour of simultaneous examinations seems never to have struck the Commissioners, would be hard of understanding, were it not that the proceedings of the Commission itself afford an answer, to which answer, it is with no little regret, I now find myself compelled to ask your lordship's attention.

i 98000.

APPENDIX G.

EXTRACTS.—CORRESPONDENCE with the WAR OFFICE on the ADMISSION of INDIANS to COMMISSIONS in the BRITISH ARMY.

Cambridge Lodge, West Hill Road,
Southfields, S.W.,
28th December 1896.

SIR,

I HAVE received your letter of 21st instant. (100/Cands./1703.)

It appears from your reply that my letter of 7th August last has been misunderstood. Perhaps I have not been clear enough. I briefly recapitulate our correspondence.

I first asked to furnish me with a copy of the regulations. You kindly sent me four pamphlets. I read the pamphlets and wrote to you. After quoting the 4th section, under "General Notices," of the paper of the Civil Service Commissioners on the question of the "Nationality" of the candidates, I pointed out that I had not found the qualification of "Nationality" mentioned at all in the pamphlets, and asked whether I was right in understanding that the qualifications given under "General Notices" by the Civil Service Commissioners, applied to the Army examinations, and that they included Indians, as being born in "British dominions," and being thus natural born British subjects.

To this you replied, "that candidates for commission "in the British Army must be of pure European "descent, and are also required to be British-born or "naturalized British subjects." I thereupon naturally asked to inform me by what Act of Parliament was this limit laid down for the candidates to the exclusion of other British subjects of Her Majesty of other descent and born in Her Majesty's British dominions, such as British India and the colonies. To this you replied that "the conditions for admission to the Army are not "laid down by Act of Parliament but by regulation, "and that the regulations are to the effect already "conveyed to you."

I then asked: "I have always understood that the "only constitutional authority or power for laying "down all such conditions is Parliament, and you say "that these conditions are not laid down by Act of "Parliament. Then what other constitutional autho-"rity has the power and has laid down these condi-"tions, according to which the regulations are made. "What I want to know is the name of the constitutional "body or power by whose authority such a law is "made." You replied, "that the conditions of admis-"sion to the commissioned ranks of the Army are laid "down by regulations made by the Secretary of State "for War, under the authority of Her Majesty the "Queen, as signified by Article I. of the Royal Warrant "for the pay, appointment, promotion, and non-"effective pay of the Army."

I requested and you kindly informed me where I could get a copy of the warrant. I obtained it and then wrote my letter of 7th August last, to which your letter under acknowledgment is the reply. I pointed out in my letter that "In Article I. First appoint-"ments. I do not find a word to exclude British sub-"jects like the Indian British subjects. The candi-"dates are required to be persons duly qualified under "regulations approved by the Secretary of State." In thus pointing out that the Royal Warrant had not in any way authorised to make any regulations to exclude British Indian subjects, I further said, "Now I can-"not suppose that any such regulations can be made "constitutionally under the warrant by the Secretary "of State as would supersede any Act of Parliament, or "any proclamations of Her Majesty the Queen, but "that such regulations can only be made in accordance "with Acts of Parliament and proclamations of the "Sovereign. I desire to know whether I am right." To this the Secretary of State for War has not been pleased to give any reply in your present letter; I beg to ask it again.

For further confirmation of my view, that the Royal Warrant upon which the regulations are said to be based does not in any way authorise the exclusion of Indian subjects from becoming candidates for commissions in the Army, I cited two points from the warrant itself: (1) "about the eligibility as candidates "of graduates of some of the universities, in which no "exclusion is made for British Indian graduates of "these universities"; and (2) of "open competition." I shall deal with point (1) further on when I shall deal with your present letter. On point (2) of "open competition" laid down in the Queen's Warrant itself, the Secretary of State has not been pleased to give any explanation. I beg for it again. After expressing my views that the warrant gave no authority to exclude Indians, I endeavoured to show that it stood to reason that the Queen's Warrant could not and would not make any such exclusion. I cited the solemn pledges and actions of both Her Majesty and Parliament, and said that "it was impossible to believe that Her Majesty's "Warrant could have had the least intention of stulti-"fying and superseding Acts of Parliament and "falsifying Her Majesty's own great proclamations so "seriously made to the world on two great and histori-"cal occasions." To this there is no reply, and I beg again the Secretary of State's attention to this part of my letter of 7th August last, and to explain how and by whom could such Acts and proclamations be superseded and disregarded.

In your letter under reply, you say, "It has been "decided that pure European descent is an essential "qualification." But you do not say *who* has so decided. Parliament has not so decided, Her Majesty has not so decided. Who is this mysterious great potentate, superior to the Queen, and superior to Parliament who had the authority to decide contrary to the express desire and decisions of the Queen, the Parliament, and the British people represented by them?

You further say, "that in the Regulations which "govern the admission of candidates to the Army, it "is clearly laid down that only such candidates as "are considered in all respects suitable to hold a "commission in the Army are eligible."

First of all, the Regulations have no authority to exclude the Indians as I have already explained. Next, even according to your extract, it does not at all follow that the British Indians are excluded. If any of them offer to show themselves and can show themselves "in all respects suitable to hold a commission" by submitting themselves to all the tests and conditions which are required from candidates, they are also eligible. What then had any one the right to exclude Indians altogether, contrary to the authoritative decisions of Her Majesty and Parliament? Can any man in his senses believe that out of 225,000,000 of British Indians you will not get a few thousands who are "in all respects suitable to hold a commission in the Army," if fair and honest trial is allowed to them as candidates? Parliament does not believe so—Her Majesty does not believe so.

Referring to the second paragraph of your present letter, I never said anything of "obliging the military "authorities to grant commission in the Army to "anyone not considered suitable." My question is not for the "unsuitable" graduates but for those who offer to prove themselves to be "suitable" under the *same* conditions as are required from any other candidates. The Royal Warrant does not exclude any section of the graduates of the specified universities. Unauthorised Regulations are of no force.

My last inquiry in my letter of 7th August last has also not been replied to. How is it that a Turk, or a Russian, or any of European descent can by mere naturalisation become a candidate; and a British Indian subject, born in Her Majesty's own dominions, and, to whom equality is pledged in every honourable and binding manner should be excluded?

I fully trust that the Secretary of State would be good enough to reply to all my inquiries.

The only authoritative rational explanations I have met with are:—

1. Lord Salisbury's direct and significant words "India must be bled—and that all talk of "pledges, equality, &c. was political hypocrisy."
2. Lord Lytton has explicitly said with regard to the actions of the authorities that they were "so many deliberate and transparent subterfuges

" for stultifying the Act and reducing it to a " dead letter." He further says, "I do not " hesitate to say that both the Governments of " England and India appear to me up to the " present moment unable to answer satisfactorily " the charge of having taken every means in " their power of breaking to the heart the words " of promise they had uttered to the ear."

3. A committee of five Members of the Council of the India Office, declared as far back as 1860 that the British were exposed to the charge of "keeping " promise to the ear and breaking it to the " hope."

I respectfully ask whether the action of the War Office making arbitrary and unauthorised Regulations to exclude the British Indians from the commissions in the Army falls under the above explanations or whether there is any other satisfactory explanation.

I once more sincerely trust that the Secretary of State will be pleased to reply to all my questions.

I remain, &c.

DADABHAI NAOROJI.

The Under Secretary of State,
War Office, London, S.W.

100/Cands./1745.

War Office, London, S.W.,
25th January 1897.

SIR,

I AM directed to acknowledge the receipt of your letter of the 28th ultimo, and to express the regret of the Secretary of State for War that my letter of the 21st idem did not impart to you the full information it was intended to convey.

In reference to the doubts which you apparently entertain as to the authority under which the regulations for admission to the Army are made, I am to call your attention to the preamble of the " Royal Warrant for Pay, Promotion, &c." from which you will learn that such Warrant has the express sanction of Her Majesty the Queen, and that the Secretary of State for War is appointed by Her Majesty to be "the sole administrator and interpreter" thereof, and "em- " powered to issue such detailed instructions in refe- " rence thereto as he may from time to time deem " necessary."

The detailed instructions governing the grant of commissions in the Army are made by the Secretary of State under the above authority, and are, as you are already aware, to be found in paragraph 1 of the Regulations for admission to the Royal Military College, Sandhurst, and to the Royal Military Academy, Woolwich, when read in conjunction with Appendix 1 to those Regulations.

I am, &c.

ARTHUR HALIBURTON.

D. Naoroji, Esq.

Cambridge Lodge,
West Hill Road, Southfields, S.W.
26th January 1897.

SIR,

I HAVE received your letter of 25th inst. (No. 100/Cands./1745.)

I am sorry to trouble the Secretary of State again because my inquiry remains just as much unanswered as before. In my letter of 7th August last, my very first question is this :—

"I cannot suppose that any such regulations can be made constitutionally under the Warrant by the Secretary of State, as would supersede any Act of Parliament or any proclamations of Her Majesty the Queen ; but that such regulations, can only be made in accordance with Acts of Parliament and proclamations of the Sovereign. I desire to know whether I am right."

To this question I have yet received no reply. If I am right, then the Secretary of State has no right or powers to exercise such absolute power as he claims in your present letter. No executive officer has any despotic powers to make any regulations which can at all contravene any Act of Parliament or proclamation of the Queen sanctioned by Parliament. I therefore submit that the Secretary of State has no power or authority whatever to exclude British Indian subjects.

The Secretary of State by claiming such powers as your letter assumes, exposes Her Majesty and Parliament to the charge of un-English hypocrisy, *i.e.*, that Her Majesty on the one hand proclaims to the world repeatedly that British Indian subjects are exactly like the British subjects, and on the other hand stultifies and breaks her own pledges by giving to the Secretary of State authority to disregard Her proclamations. The same charge will apply to Parliament for allowing such a thing. I anticipated this in my letter of 7th August last, when I said, after citing the Acts and Proclamations :—

"That our Gracious Sovereign and the British People, whose voice and desires she represents, could have been anything but sincere in her proclamations cannot be admitted for a moment, and it is impossible to believe that Her Majesty's Warrant could have had the least intention of stultifying and superseding Acts of Parliament and falsifying Her Majesty's own great proclamations, so seriously made before the world on two great and historical occasions."

The fact is that the Warrant gives no such power or authority to make any regulations contrary to Acts or proclamations. Every power given to any executive officer is subordinate to and restricted by Acts of Parliament and proclamations of the Queen, unless the Secretary of State means to attribute to Her Majesty and Parliament mean political hypocrisy. I therefore ask again, my very first question in my letter of 7th August last, which I have quoted above, and in this letter I restrict myself to that question.

I am, &c.

DADABHAI NAOROJI.

The Under Secretary of State,
War Office, London, S.W.

Washington House,
72, Anerley Park, London, S.E.,
January 16, 1900.

SIR,

REFERRING to your letter of 10th June 1896, in which you inform me that "Candidates for commis- " sions in the British Army must be of pure European " descent, and are also required to be British-born or " naturalised British subjects." I have to request you to kindly inform me whether any alteration has been made in the rule above cited ; if so, kindly inform what it is.

Yours obediently,

DADABHAI NAOROJI.

The Under Secretary of State,
War Office, Pall Mall, S.W.

No. 100/Candidates/2097. War Office, London, S.W.,
January 23, 1900.

SIR,

I AM directed by the Secretary of State for War to acknowledge the receipt of your letter of the 16th instant, and to acquaint you in reply that no change has been made in the regulations which require that candidates for commissions in the British Army must be of pure European descent, and must also be British-born or naturalised British subjects.

I have, &c.

T. FLEETWOOD WILSON.

Dadabhai Naoroji, Esq.,
Washington House,
72, Anerley Park, S.E.

APPENDIX H.

EXTRACTS.—CORRESPONDENCE WITH THE ADMIRALTY ON THE ADMISSION OF INDIANS TO COMMISSIONS IN THE ROYAL NAVY.

Cambridge Lodge,
West Hill Road, Southfields, S.W.,
28th August 1896.

SIR,

I HAVE received your letter of 24th inst.

I shall not at present say anything about the academical discussion. Nor is the present correspondence fit to discuss the important question of the exaction of 100,000*l.* from India without any voice of the Indians. Small or large amount *is* not material. Whether India is partner or slave in the Empire—that is the question. But that discussion must rest at present. I had mentioned this simply as an illustrative incident about the belief in India that the British Indians were absolutely excluded, on account of their nationality, no matter however qualified they may be. And after all your present letter shows that the belief was well founded.

In your first letter of 13th inst. you directed my attention to the fact that no application had been made by an Indian. Then you pointed out (if such an application were made) that you would follow the practice of your predecessors, and with the unlimited right which you possessed to exercise an unfettered choice, you would select such boys among *the whole* of the applicants as seemed most likely to you from their antecedents, their surroundings, their physical attributes, and other considerations to secure the most efficient officers with the greatest prospect of being successful in leading and governing British seamen. You did not say what the practice of your predecessors was. You said only what you would do. You stated the qualifications about the *whole* of the applicants, but not a word about entire disqualification of Indians on account of their nationality alone, though this reply was to my questions, which were distinctly directed, as follows, to that particular point of "nationality."

First, in my letter of 14th June last, I asked: "I do "not find this qualification of 'nationality' mentioned "in the papers you have been good enough to send "me. You will oblige me much by informing me "whether I am right in understanding that the "qualifications given under 'General Notices' by the "Civil Service Commissioners apply to the examina- "tions for the navy, and that, therefore, Indians of "British India are included as being born in British "Dominions and being thus natural-born British "subjects." The qualification especially referred to by me was clearly mentioned to be that of "nationality."

To this my first inquiry you did not favour me with a direct reply.

Second, in my letter of 8th instant, I again as pointedly made my inquiry as follows: "I shall, "therefore, be much obliged by informing me that "the cadetships in the Navy are as open to British "Indian subjects as they are to all other British "subjects of Her Majesty."

In your reply of 13th inst. to this inquiry, there was not a word said that Indians were positively excluded as Indians. On the contrary, as I have stated above, you laid all stress upon qualifications for fitness. If Indians were disqualified by their "nationality," the reply of 13th inst. had no meaning as laying stress upon qualifications of fitness, unlimited right of selection, unfettered choice, &c., &c.

Your present letter of 24th inst. is again as puzzling. You say that "no one has a right to a 'nomination.'" I did not ask or claim any such right, any more than any other British subject had.

You say "the selection of candidates rests entirely "with the First Lord of the Admiralty." But really this must be certainly on some definite principles, and founded upon and ordered by some constitutional authority (which has not been pointed out in your letter), and not on the mere absolute whim or the despotic will of the First Lord, as if he were an Oriental despot. But what is still stranger is, that if an Indian is excluded because he is an Indian, and if the First Lord has positively determined not to consider any Indian application, what was the good of telling the Indian that he would consider the *whole* of the applicants. You say, "I further explained how "my choice would be guided by my wish to secure "officers who would be best qualified to govern, "British seamen." This shows that it was certain qualifications you wanted in each individual applicant, and not a decided exclusion of an Indian if he possessed the qualifications. But if you left yourself no choice, and would give no consideration to an Indian applicant, what was the good of telling him about how your choice was to be guided.

You say, "I frankly say that I was under the im- "pression that the words I used would lead you to "infer that preference would be given to those of "British parentage." "Preference" would mean that if there were an Indian and a British applicant of equal merits, "preference" would be given to the British. But even of the "preference" of British parentage there was no clear indication in your letter of 13th inst. But even supposing that such an inference was possible, then if the Indian was wholly and absolutely excluded as an Indian, "preference" is only an idle word, and means nothing.

Thus you will see that the matter is still left vague in your present letter of 24th inst.

I again put the question directly.

Is the Indian to be excluded on the ground of his nationality, or not? It is desirable that such a vital matter to above two hundreds of millions of British subjects should not rest on mere misleading and vague "drifts," "inferences," or "impressions," but must be clear in statement.

In the last sentence of your letter where there is something like a clear statement, though under cover, the matter is still left vague. You say "generally "speaking the Regulations of the Navy in respect of "the parentage of those who are to be admitted to the "various ranks approximate to those of the Army and "have been in force for many years." A wrong does not become a right by being enforced.

However, you have not favoured me as to what these regulations of the Army are, and your words "*generally* speaking" and "approximate" still leave a certain vagueness, as if the regulations of the Army and Navy were not quite alike.

I have a reply from the War Office. That reply, however unconstitutional, and unauthorised, un-British and dishonourable to solemn pledges it appears to me, is at least direct and clear, and not left to mere impressions or inferences. This reply is "that candidates for Commissions in the British "Army must be of pure European descent, and are "also required to be British-born or naturalized "British subjects."

Now I request you kindly to inform me whether in the Navy also there is exactly as above the same absolute and complete exclusion of British Indians as in the Army, so that the matter may be dealt with in its true character. If the exclusion in the Navy is exactly like that in the Army, then all that is said about "preference," "qualification," "exercise of unlimited right of selection," "fitness," "no applications had been received from Indians," and leaving matters to "drifts," "impressions," and "inferences," would appear to me mere excuse and of no good or use.

Kindly make the matter clear, whatever it may be.

I am informed that there were, or are, some Japanese in the Navy. I do not know whether this is true. If it is so, I would be obliged to be informed what their position was or is.

I remain, &c.
DADABHAI NAOROJI.

Right Hon. G. J. Goschen,
First Lord of the Admiralty,
Whitehall, S.W.

Cambridge Lodge,
West Hill Road,
Southfields, S.W.,
SIR, 5th December 1896.

I HAVE addressed a letter to you on the 28th August last.

I shall fell obliged for reply to it.

I remain, &c.
DADABHAI NAOROJI.

Right Hon. G. J. Goschen,
First Lord of the Admiralty,
Whitehall, S.W.

Admiralty, Whitehall,
SIR, 8th December 1896.

IN reply to your letter of the 28th August, allow me to say, in all courtesy, that you seem to me to be endeavouring to create a grievance, while none, to my knowledge, has existed hitherto, by your efforts to draw from me an unnecessary declaration.

I have nothing to add to my previous letters, which appear to me to be perfectly intelligible to anyone who wishes to understand them, beyond pointing out to you, in reply to one of your questions, that the regulations which govern admission to various branches in the Navy and Army are accessible to the public, and will furnish you with the means of testing the statements I made to you with regard to them.

I regret that I cannot undertake to continue this correspondence.

I am, &c.
GEORGE J. GOSCHEN.

Cambridge Lodge,
West Hill Road, Southfields, S.W.,
SIR, 10th December 1896.

I HAVE received your letter of the 8th instant, and I am very sorry I am forced to trouble you again. I am not going into any argument upon your letter, but there seems to me some misunderstanding, and I shall feel much obliged by its being cleared up by you. The question is simply this, and to which the War Office has given a direct reply. Is the Navy open to British Indian subjects, as it is open to the inhabitants of the United Kingdom, or is it not—the regulations being the same for all?

The reason for a reply is two fold. The Indians then will know whether they should apply or not at all. Secondly, it is necessary for me that, as a witness before the Royal Commission on Indian Expenditure, I should reply with correct knowledge of facts.

There are other points of great importance connected with the Navy in its relations with India, but I should not trouble you at present with these.

I remain, &c.
Right Hon. G. J. Goschen, DADABHAI NAOROJI.
First Lord of the Admiralty,
Whitehall.

Admiralty, Whitehall,
SIR, 15th December 1896.

MR. GOSCHEN desires me to acknowledge the receipt of your letter of the 10th instant, and in reply to point out that your original questions related to the admission of Indian subjects as commission officers in Her Majesty's Navy, and Mr. Goschen's answers have been directed to that point.

You now ask generally whether the Navy is open to British Indian subjects, as it is open to the inhabitants of the United Kingdom. To this his answer is in the negative.

I remain, &c.
Dadabhai Naoroji, Esq. W. GRAHAM GREENE.

Cambridge Lodge,
West Hill Road, Southfields, S.W.,
SIR, 16th December 1896.

I AM very much obliged for your direct reply in the "negative," to my question in yesterday's letter. But I am sorry to find that you have yet left doubtful whether in your "negative" the question of "the "admission of Indian subjects as commission officers "in Her Majesty's Navy" is included. I shall be thankful to have this cleared up, as the War Office has done. You are aware that the chief object of my inquiry was about the admission of Indian subjects as commissioned officers in Her Majesty's Navy.

I remain, &c.
Right Hon. G. J. Goschen, DADABHAI NAOROJI.
First Lord of the Admiralty,
Whitehall.

Admiralty, Whitehall,
SIR, 18th December 1896.

MR. GOSCHEN having informed you in his letter of the 8th December that he could not undertake to continue the correspondence on the subject of the admission of Indian subjects as commissioned officers in Her Majesty's Navy, only consented to reply to your letter of the 10th December, inasmuch as your further inquiry was directed to the Navy as a whole.

Having answered this question, Mr. Goschen must again decline to renew the correspondence on a subject which he considers to have been definitely closed.

I remain, &c.
Dadabhai Naoroji, Esq. W. GRAHAM GREENE.

Cambridge Lodge,
West Hill Road, Southfields, S.W.,
SIR, 19th December 1896.

I HAVE received your letter of yesterday that our correspondence on the subject of the fact of the admission of Indian subjects as commissioned officers in Her Majesty's Navy is definitely closed.

Now, that hereafter you may not blame me again as you have done before about the interpretations of your impressions, inferences, &c., it is necessary for me, as I have no doubt you yourself in justice will admit, to state unambiguously what I understand as the end of our correspondence. The end is that every British Indian subject, on account of his nationality, is entirely excluded and disqualified to be admitted as commissioned officer in Her Majesty's Navy.

This point being ended, I have now to ask your considerate attention to my letter of 8th August last.

In the last paragraph of that letter I have said: "I "shall therefore be much obliged by informing me "that the cadetships in the Navy are as open to "British Indian subjects as they are to all other "British subjects of Her Majesty."

To this part of my inquiry you have now closed the correspondence, as stated above, *i.e.*, in the "negative."

There remains now the second part of my inquiry. And for which I crave your reply. I said next in the same paragraph:

"If not, I shall be thankful for an explanation for the exclusion of British Indian subjects, contrary to Acts of Parliament, confirmed and proclaimed by two great proclamations of Her Majesty the Queen."

I shall feel very much obliged indeed for a clear explanation of this second new question.

I remain, &c.
Right Hon. G. J. Goschen, DADABHAI NAOROJI.
First Lord of the Admiralty,
Whitehall.

APPENDIX I.

TABLE, &c. SHOWING EXPENDITURE ON WARS BEYOND THE INDIAN FRONTIERS.

(*Extracted from Colonel Hanna's "Backwards and Forwards."*)

STATEMENT showing APPROXIMATE COST of the FORWARD POLICY on the NORTH-WEST FRONTIER up to 1896, including the AFGHAN WAR of 1878–79–80.

	Rupees.	
I.—The Afghan War	223,110,000*	Sir Evelyn Baring, Financial Member of the Viceroy's Council.
II.—Military Railways on the North-West Frontier since the War.	163,967,910†	Administrative Reports on Railways in India.
III.—Beluchistan Agency since the War. Government Allotment, Rs. 865,600 per annum, for sixteen years.	13,849,600	*Moral and Material Progress of India*, 1893–94, p. 157.
IV.—Special Grants to Beluchistan Agency—		Financial Statements—
Reservoir in Pishin — Rs. 261,240		1889–90, p. 15, par. 31.
Quetta Water Works — 499,000	1,134,240	1891–92, p. 23, par. 16.
Buildings at Quetta — 374,000		1892–93, p. 32, par. 84.
V.—Lease of Quetta District, and subsidy in lieu of right to collect tolls in the Bolan Pass since 1883.	715,000	*Progress and Condition of India*, 1891–92, p. 15.
VI.—Preparations for War with Russia in 1885	22,880,710	Official Estimate. Return, dated India Office, 8th June 1894.
VII.—Special Defence Works on Frontier and Rawal Pindi.	30,000,000‡	Approximate.
VIII.—Military Roads on North-West Frontier; expended principally on the Dera Ghazi Khan and Pishin road.	2,000,000§	Financial Statement—1888–89, p. 10.
IX.—Afghan Boundary Commissions	1,700,000	Financial Statements—1885–86, p. 22, par. 52; 1894–95, p. 27, par. 118.
X.—Permanent Increase of Indian Army in 1885–6—		
A. 10,753 British Troops — Rs. 95,809,200		
B. 19,220 Native Troops — 65,924,600	162,286,800	Official Estimate. Return, dated India Office, 8th June 1894.
C. Deferred Pay of above British Troops. — 553,000		
XI.—Increase in the Native Pension Establishment, due to the Afghan War, Waziri and Chitral Campaigns, and other Expeditions on North-West Frontier.	18,591,300	Approximate.
XII.—Cost to Government of Imperial Service Troops	1,400,000	*Progress and Condition of India*, 1894–95, p. 169.
XIII.—Re-establishment and Maintenance of British Agency at Gilgit—		
A. For three years, at the rate of Rs. 50,000 a year. — Rs. 150,000		*Blue Book, Chitral*, p. 20.
B. For four years, at the rate of Rs. 200,000 a year. — 800,000		Financial Statements—
C. Special Grant — 90,000	3,005,500	1893–94, p. 7, par. 11.
D. „ — 481,500		1894–95, p. 21, par. 83.
E. Transport — 784,000		1893–94, p. 7, par. 11.
F. „ — 300,000		1893–94, p. 13, par. 24.
G. „ — 400,000		1894–95, p. 28, par. 121.
XIV.—Re-occupation of the Kuram Valley in 1892–93, at Rs. 450,000 per annum, for three years.	1,350,000	Financial Statement—1893–94, p. 7, par. 11.
XV.—Grants for so-called Mobilisation—		Financial Statements—
A. 1889 — Rs. 2,035,000		1889–90, p. 24, par. 57.
B. 1890 — 600,000		1890–91, p. 8, par. 12.
C. 1891 — 2,134,000	5,385,000‖	1892–93, p. 8, par. 13.
D. 1892 — 616,000		1892–93, p. 32, par. 84.
XVI.—Additional Transport Animals, Re-mounts, and Mules—		Financial Statements—
A. 1891 — Rs. 1,321,000		1892–93, p. 8, par. 13.
B. 1893 — 267,000	1,825,000¶	1894–95, p. 6, par. 9.
C. 1894 — 237,000		1894–95, p. 28, par. 121.
XVII.—Rise in price of food, forage, and increase of number of animals to be fed—		Financial Statements—
A. 1889 — Rs. 795,000		1889–90, p. 24, par. 57.
B. 1892 — 1,500,000		1893–94, p. 7, par. 11.
C. 1893 — 700,000	3,485,000	1893–94, p. 27, par. 63.
D. 1894 — 490,000		1894–95, p. 28, par. 121.
XVIII.—Expeditions on North-West Frontier since 1888–89.	5,075,680	Official Estimate. Return, dated, India Office, 8th June 1894.
XIX.—Minor operations (not scheduled) since 1884–85	3,239,100	Official Estimate.
XX.—Waziri Campaign, including cost of Delimitation Commission, Fortified Post and Tochi Cantonments.	3,824,000	Financial Statements— 1895–96, p. 15, par. 50, and p. 56, par. 200. 1896–97, p. 34, par. 132.
Carried forward		

* Five millions sterling were contributed by the English Exchequer to the War Expenses.

† Provision is made in the Budget Estimate for 1896–97, for a further sum of Rs. 4,954,000 to be expended on these useless railways.

‡ "A large sum has been spent on defences and military establishments at Quetta, including an advanced position covering the place, strategic roads, and defences for various bridges, tunnels, &c., on the Sind-Pishin Railway. . . . An entrenched position has been formed at Rawal Pindi, and a defensive post at Multan."—"Indian Finance Statement for 1896–97."

§ This sum only represents a small portion of the money expended on military roads in Beluchistan and other places beyond the Indus, as large sums are annually disbursed by both the military and civil departments in building new roads and maintaining the old ones.

‖ Provision is made in the Budget Estimate for 1896–97, for Rs. 4,949,000, "for preparations for mobilisation of the Field Army."

¶ The maintenance of the Transport Branch of the Commissariat Department cost, in 1893–94, no less than Rs. 3,403,140; yet, in the following year, it broke down when called upon to provide carriage for the Division of 15,000 men mobilised for the relief of Chitral.

		Rupees.	
Brought forward - - - -			
XXI.—Chitral Campaign, including occupation of Chitral during past and present year.		21,500,000	Financial Statement—1896-97, p. 7, par. 11, and footnote.
XXII.—Khyber Rifles raised after the War - -		1,398,240	*Progress and Condition of India*, 1891-92, p. 17.
XXIII.—Subsidies—			
A. Amir of Afghanistan since the War - -	Rs. 21,000,000		13 years at 12 lakhs, 3 at 18 lakhs.
B. Khyberies Afghanistan since the War -	1,400,640		*Progress and Condition of India*, 1891-92, p. 17.
C. Ruler of Chitral and his brothers - - -	60,000	22,857,400	*Chitral Blue Book*, pp. 9 and 13.
D. Gomal Chiefs since 1890. - - -	296,760		*Progress and Condition of India*, 1891-92, p. 17.
E. Other small Chiefs on North-West Frontier	100,000		*Progress and Condition of India*, 1891-92, pp. 16 and 18.
Total Rupees - - -		714,580,480	

Cost of the Forward Policy.

(Extract from Colonel Hanna's "Backwards and Forwards," Chap. III.)

1. The above table contains the official confession of the cost of the Forward Policy to the people of India, a confession that is very far from telling the whole tale of cruel exactions and dangerous waste which is the true history of that policy.

2. Take, for instance, the first item in that table, the cost of the Afghan War—Rs. 223,110,000—and see how it expands in the light of Major Evelyn Baring's admission, in his Financial Statement of the year 1882-83, that "it cannot be doubted that a great deal of the "expenditure debited to the ordinary (military) "account really belongs to the war," and that money spent "by reason of it"—the war—"was set down "among civil charges." In proof of this latter assertion he adduced the fact that the Punjab Northern State Railway, the construction of which had to be hurried on for the purpose of moving up troops and supplies, cost, on that account, considerably more than it otherwise would have done, and yet not a rupee of this enhanced price was debited to war expenditure;* but he made no mention of the large sums spent, during the three years the war lasted, by the political officers in buying the services or the neutrality of the tribesmen, either individually or collectively, along the three lines of advance, not yet of the cost of those political officers themselves, taken from their Indian appointments, yet still drawing their pay from the Civil List, though both these forms of expenditure were due to the war.

3. There is nothing to surprise us in these deceptive classifications: they are the natural outcome of the desire to minimise the cost of a policy which runs counter to the wishes and interests of the people who have to pay for it; and they are as common as they are natural, vitiating the official figures for all the frontier exhibitions and minor operations, just as much as they falsify those of the Afghan War. One proof of this, but that a very glaring one, must suffice.

4. During a period of ten years—from 1885 to 1895—great activity prevailed all along our frontier, from Quetta to Gilgit, from Sikkim to Burma, the expeditions and operations on its north-west section alone admittedly absorbing Rs. 52,569,500. In reality they cost considerably more.

5. In the Financial Statement for the year 1888-89, Rs. 2,035,000 were set down to mobilization—an entirely new item of expenditure—which was thus explained and defended by Sir David Barbour, then the Financial Member of Council: "The Rs. 2,035,000 "on account of mobilization is intended to meet the "cost of purchasing transport animals, provisions, "and equipment, so that, in case of need, an army "corps may be in a position to take the field promptly. "This is one of those precautions which, in the present "day of scientific warfare cannot be neglected. *The "greater portion of the cost will be incurred once and "for all, and will not recur.*"† The Rs. 2,035,000 proved insufficient for the purpose in view, and the Financial Statement for 1890-91 contained a further provision of Rs. 600,000, "to complete the arrangements "and preparations to facilitate mobilization."

6. To people of my views, the need of providing for the mobilization of an army corps, *for service across the frontier*, was not apparent; but we derived a certain amount of comfort from the assurance that the process, unnecessary as we thought it, and expensive as it certainly was, had been completed, and we noted with satisfaction the absence of the word *mobilization* from the Financial Statement for the year 1891-92. All the greater, therefore, were our disappointment and astonishment when, in the course of the same year, a revised estimate was made public, in which besides Rs. 800,000 "sanctioned during the year for additional "transport mules," and Rs. 521,000 "for remounts "and ordnance mules,"* Rs. 2,134,000 were set down as "*Expenditure in India in preparations to facilitate "mobilization;*" whilst the Financial Statement for 1892-93 placed Rs. 616,000 to the account of "*Measures "intended to facilitate the speedy mobilization of the "army.*"

7. Now, if Rs. 2,635,000 was an adequate provision for the mobilization of an army corps—there was never any talk of mobilizing two—what became of the transport, provisions, and equipment bought with that money? There can be but one answer to the question—it had all disappeared, used up in frontier expeditions and minor operations; and so far as transport is concerned, we have the clearest proof that the Rs. 2,750,000 nominally devoted to mobilization in 1891-92, and 1892-93, went the same way, for when in the spring of 1895 a single division—minus the greater part of its cavalry and its horse and field artillery—was ordered on active service, it was found that there were only 7,482 Government mules available, and the military authorities, after buying or hiring every baggage animal that they could lay hands on, were reduced to the necessity of borrowing the transport service of the Jaipur and Gwalior Imperial Service Troops, and depriving a number of our own regiments of their regimental baggage ponies.†

8. In the current year Rs. 4,949,000 have again been devoted to the mobilization of a field army, and Sir James Westland has promised the Indian taxpayers that Rs. 4,348,000 of that amount "*will be non-recurring, initial expenditure.*" Can he, I wonder, ever have read his predecessor's similar assurance? The sum is large, nevertheless it is absolutely certain that if, in the course of the next two or three years, India should become involved in "scientific warfare," she would find herself utterly destitute of the means of prosecuting it, unless indeed her Government had meanwhile put a stop to the expeditions and operations which are perpetually frittering away her resources of

* Indian Financial Statement for 1882-83.
† Indian Financial Statement, 1889-90, page 24, par. 57.

* See Table of Costs, XVI. A, 1891, Rs. 1,321,000 (Rs. 800,000 + 521,000).
† Sir Henry Brackenbury, Military Member of the Viceroy's Council, in his remarks on the military expenditure in 1895-96, mentions that "no less than 40,000 transport animals were employed with the Chitral "Relief force." As regards camels, he said: "We were dependent "entirely upon hired camels, or upon camels purchased expressly for "the campaign. . . . But the number which could be hired was "extremely small, and at the very outset the Government was obliged "to have recourse to purchase. . . . *The camels purchased by "Government have for the most part so broken down in health that "it has been found impracticable to retain any but a very small "number of them for future use.*"

all kinds, but more especially her supply of transport cattle.

9. It is worth noting that this habit of concealing the true cost of past expeditions and operations is closely allied to that tendency to under-estimate the probable expense of each new phase of the expansion fever, to which we owe the most stupendous financial blunder on record—the estimating of the total net cost of the Afghan War at £5,752,000 in February, 1880, and the revision of that estimate in June of the same year by rather more than £9,000,000! The £15,000,000 at which the cost of the war was then placed, rose in October to £15,777,000, and when the accounts were made up at the close of the financial year—March, 1881—this sum was found to have fallen short of the monies already expended by £828,000, whilst war expenditure still showed no sign of coming to an end!*

10. The story is so old a one that there has been time for most of us to forget it, but we all know that it has repeated itself in still more startling form, though on a smaller scale, *à propos* of that campaign which so unpleasantly laid bare the deficiencies of Indian transport arrangements, and the untrustworthiness of Indian Budgets.

11. The first estimate for the Chitral Expedition amounted only to Rs. 1,500,000; the sum actually spent upon it, to Rs. 17,647,000, or nearly twelve times more than that estimate; whilst, according to Sir James Westland, "it has left us a legacy of per-
"manent expenditure in the occupation of Chitral
"and of its communications, which has involved in
"1895–96 an expenditure of Rs. 1,022,000, and will
"involve in 1896–97 an expenditure of Rs. 2,317,000
". . . . irrespective of the Political Expenditure,
"which comes to Rs. 200,000 in 1895–96 and Rs.
"220,000 in 1896–97; . . . , also of Military Works
"Expenditure, Rs. 216,000 in 1896–97."*

* Indian Financial Statement for 1881–82.

* Indian Financial Statement for 1896–97.

BOMBAY BRANCH

OF THE

Royal Asiatic Society.

INDIAN EXPENDITURE COMMISSION.

VOL. IV.

FINAL REPORT

OF THE

ROYAL COMMISSION

ON THE

ADMINISTRATION OF THE EXPENDITURE OF INDIA.

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INDIAN EXPENDITURE COMMISSION.

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TERMS OF REFERENCE.

To inquire into the Administration and Management of the Military and Civil Expenditure incurred under the authority of the Secretary of State for India in Council, or of the Government of India, and the apportionment of charge between the Governments of the United Kingdom and of India for purposes in which both are interested.

LIST OF MEMBERS OF THE COMMISSION.

Commissioners appointed by Royal Warrant dated May 24th, 1895 :—

THE LORD WELBY, Chairman.

THE RIGHT HONOURABLE LEONARD H. COURTNEY, M.P.

THE RIGHT HONOURABLE W. L. JACKSON, M.P.

THE HONOURABLE G. N. CURZON, M.P. (resigned).

SIR WILLIAM WEDDERBURN, BART., M.P.

FIELD MARSHAL SIR DONALD M. STEWART, BART., G.C.B., &c. (since deceased).

SIR E. W. HAMILTON, K.C.B.

SIR RALPH KNOX, K.C.B.

SIR JAMES PEILE, K.C.S.I.

SIR ANDREW SCOBLE, K.C.S.I., Q.C., M.P.

MR. G. L. RYDER, C.B.

MR. T. R. BUCHANAN, M.P.

MR. W. S. CAINE.

MR. DADABHAI NAOROJI.

Commissioner appointed by further Royal Warrant dated February 3rd, 1896 :—

MR. (now SIR) ROBERT G. C. MOWBRAY (BART., M.P.).

ROYAL COMMISSION ON THE ADMINISTRATION OF THE EXPENDITURE OF INDIA.

REPORT.

MAY IT PLEASE YOUR MAJESTY,

1. We, the undersigned Commissioners appointed to inquire into the administration and management of the Military and Civil Expenditure incurred under the authority of the Secretary of State for India in Council or of the Government of India, and the apportionment of charge between the Governments of the United Kingdom and India for purposes in which both are interested, humbly submit to Your Majesty this our final Report.

2. In the course of our inquiry we have profited by the knowledge and experience of the following witnesses :—

The Marquesses of Lansdowne and Ripon, and the Earl of Northbrook, late Governors-General.
Field Marshal Lord Roberts, late Commander-in-Chief in India.
Lord Cromer, Sir David Barbour, and Sir Auckland Colvin, late Financial Members of the Governor General's Council.
Lieutenant-General Sir H. Brackenbury, late Military Member of Council.
Major-General Sir E. Collen, Military Secretary to the Government of India (now Military Member of Council).
Sir O. Newmarch, Military Secretary in the India Office.
Sir H. Waterfield, Financial Secretary in the India Office.
Mr. Jacob, Comptroller and Auditor-General to the Government of India.
Sir C. Bernard, Secretary in the Revenue Department of the India Office.
Mr. Cave-Browne, Accountant-General in the India Office.
Mr. Godsell, Auditor of the Accounts of the Secretary of State for India in Council.
Colonel Wace, Inspector-General of Ordnance, Bengal.
Captain (now Rear-Admiral Sir John) Hext, late Director of the Royal Indian Marine.
Mr. Becher, Deputy Accountant-General in the Department of Public Works.
Vice-Admiral Kennedy and Mr. W. Cuming, on behalf of the Admiralty.
Field Marshal Viscount Wolseley and Sir R. Knox, on behalf of the War Office.
Mr. Cardin and Mr. Forman, on behalf of the Imperial Post Office.
Mr. Morgan Browne, late Secretary to the British Committee of the Indian National Congress.
Mr. Dadabhai Naoroji, a Member of our Commission.
Mr. Surendranath Bannerjea, a Member of the Bengal Legislative Council.
Mr. G. Subramania Iyer, Member of the Mahajana Sabha of Madras.
Mr. Gopal Krishna Gokhale, Honorary Secretary of the Deccan Sabha.
Mr. Dinshaw Edulji Wacha, Secretary to the Bombay Presidency Association; and
Dr. K. N. Bahadurji, M.D.

3. On the eve of the conclusion of our labours we have had the misfortune to lose by death one of our most valued colleagues, Field Marshal Sir Donald Martin Stewart, whose great abilities, coupled with his long experience and intimate knowledge of Indian administration, gave a peculiar value to his share in our deliberations. We believe that his views were generally in harmony with those we express in our Report.

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4. We divided our inquiry into three sections :—

I.—The Financial Machinery of the Government of India.
II.—The Progress of Expenditure during recent years.
III.—The apportionment of Expenditure between India and the United Kingdom.

We lay before Your Majesty the conclusions at which we have arrived upon each of these sections.

CHAPTER I.

I. THE FINANCIAL MACHINERY OF THE GOVERNMENT OF INDIA IN ENGLAND AND INDIA.

5. We describe:—

1. The financial constitution of the Government at home.
2. The constitution of the Indian Government.
3. The financial relations between the Central Government and the Provincial Governments.
4. The financial machinery of the Indian Government.
5. The functions of the Finance Department in relation to the collection of revenue.
6. The functions of the Finance Department in relation to expenditure.
7. The functions of the Public Works Department in relation to expenditure.
8. The functions of the Military Department in relation to expenditure.
9. The audit of public accounts in India.

1.—The Government at Home.

Responsibility for administration of Indian revenues.

6. Responsibility for the administration of Indian revenues is vested by Act* of Parliament in the Secretary of State in Council, and the Secretary of State is answerable to Parliament for the exercise of that responsibility.

Expenditure in India is incurred under rules approved by the Secretary of State in Council. A limited discretion has been delegated to the Government of India; but, apart from that discretion, no new expenditure may be incurred without his sanction. He reviews the annual estimates and accounts of income and expenditure and gives directions upon them to the Government of India.

Expenditure in England.

7. All expenditure in England out of Indian revenues is paid on the authority of an order of the Secretary of State in Council. The establishment of the India Office is regulated by Orders in Council. The discretion of the Secretary of State in Council in respect of other expenditure in the United Kingdom is unlimited, subject, of course, to the supreme control of Parliament. The services paid in England are as follows:—

1. The interest and management of debt, and interest and annuities payable to railway companies.
2. Payments due in England on account of the civil administration of India.
3. Postal subsidy and Telegraph charges.
4. Payments to the Admiralty for naval services in India.
5. Charges for the Persian mission and diplomatic and consular establishments in China, and pensions to the families of Maharajah Duleep Singh, and of the Nawab Nazim of Bengal, &c.
6. Charges of the India Office.
7. Payments to the War Office on account of the home charges of British troops serving or having served in India.
8. Payments for the transport of troops to and from India.
9. Payments for stores for India.
10. Furlough pay to officers on leave from India.
11. Pensions of retired officers and their families.

These payments are charged against the revenue of the year. The India Office makes in addition large payments on account (1) of capital expenditure for railways and irrigation works, (2) of stores for railway companies provincial and local funds, and native states, (3) of remittances of various kinds.

Administrative procedure in the India Office.

8. A Committee of the Council and a Department of the India Office under the Financial Secretary are charged with the examination and consideration of proposals involving expenditure, whether initiated in England or in India. Questions connected with the increase or decrease of taxation, or questions touching, even indirectly, the finances of India are also scrutinised by them from a financial point of view before these questions are referred by the Secretary of State to the Council for decision.

Q. 2469. Large questions affecting the revenues, such as revision of settlements and rates of taxation, are considered by another Committee of the Council and by the Revenue Department of the India Office.

The expenditure on stores is under the control of a separate Committee of Council and of the Store Department.

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* 21 & 22 Vict. c. 106.

9. The funds for the payment of the home services chargeable against revenue are supplied in the main by the sale in London of bills on the Government of India. A balance is kept sufficient to meet disbursements as they fall due, and any part of this balance not immediately required is temporarily invested. Provision of funds for Home expenditure.

10. The estimates of the Home Government for the ensuing year are prepared by the Accountant-General of the India Office in November, and when approved by the Secretary of State in Council, are forwarded to India early in January. Communications follow between the Government of India and the Home Government, and the latest figures are telegraphed to the Government of India early in March. Home estimates.

11. The home accounts of the Secretary of State in Council are examined by an auditor, appointed under Act of Parliament, who holds office during good behaviour. He is nominated by the Secretary of State, the Chancellor of the Exchequer having a right of veto. Audit of Home Accounts.

The Act* creating the office of Auditor empowers the Queen to appoint by warrant, countersigned by the Chancellor of the Exchequer. The minister who countersigns the Royal sign manual is responsible for the appointment; and it has been questioned whether the Chancellor of the Exchequer ought not to make the nomination.

2.—The Government of India.

12. The Central Government of India is directed by the Governor-General and his Executive Council, which consists of his Excellency and five† ordinary members with the Commander-in-Chief added as an extraordinary member.‡ To each member of the Executive Council is assigned by the Viceroy the charge of one or more branches of the administration. The Viceroy usually takes the charge of the Foreign Department, one member presides over the Finance Department; another over the Military and Marine Department; another over the Home, Revenue, and Agricultural Departments; another over the Legislative Department; and another over the Public Works Department. The Member in charge of a department decides ordinary questions; he refers more important questions to the Viceroy, who determines whether or not they are to be brought under the consideration of the Council. But all cases raising any grave issue, or in which it is proposed to overrule the decision of a Local Government, or which involve a difference of opinion between two departments, are brought up in Council; and not only is any member of Council entitled to call for the papers in any particular case, with a view to its further discussion in Council, but the Secretary of the Department is also empowered to bring to the notice of the Viceroy any case in which he differs from the member in charge as to the proper order to be passed. Moreover, except in cases which require secrecy and despatch, no proposal involving an abandonment of revenue or an increase of expenditure can be decided or considered in Council without previous reference to the Finance Department. Cases which come before the Council are decided by a majority of the members there present, the Viceroy having a casting vote. All decisions of the Government of India, whether they come before the Council or not, are announced upon the authority of the Governor-General in Council. The Legislative Council § consists of the Executive Council with not less than 10 nor more than 16 members added, six of whom are officials, five are recommended by the non-official members of the Madras, Bombay, Bengal, and North-West Provinces Legislative Councils, and the Calcutta Chamber of Commerce, respectively, and the remainder are usually nominated to represent the Central Provinces, the Punjab, and occasionally Burma or Assam. Administration in India. Q. 14,476.

13. The internal administration of India is carried on by eight Provincial Governments under the general supervision of the Governor-General in Council, the Central Provincial Governments.

* The words of the Act 21 & 22 Vict. c. 106. s. 52 are:—"It shall be lawful for Her Majesty by warrant "under Her Royal Sign Manual, countersigned by the Chancellor of the Exchequer, to appoint from time to "time a fit person to be auditor of the accounts of the Secretary of State in Council * * * such auditor shall "examine and audit the accounts of the receipt, expenditure, and disposal in Great Britain of all moneys, "stores, and property applicable for the purposes of this Act, and the Secretary of State in Council shall "by the officers and servants of his establishment, produce and lay before such auditor from time to time "all such accounts accompanied by proper vouchers for the support of the same, and shall submit to "his inspection all books, papers, and writings having relation thereto."

† A sixth ordinary member may be appointed for Public Works, 37 & 38 Vict. c. 91.

‡ The law provides that the Governors of Madras and Bombay are to be Extraordinary Members when the Council meets in their Presidencies. But the Council has not met in those Presidencies since the Mutiny.

§ 55 & 56 Vict. cap. 14.

Government retaining the direct management only of certain territories and of questions affecting the Empire generally. These Provincial Governments are invested with various degrees of authority, but in control over financial administration their powers do not differ greatly. In the first rank come the Presidencies of Madras and Bombay. Both are administered by a governor appointed by Her Majesty and an executive council, and both have also a legislative council. The Presidencies have in some respects* retained their former independence. In the second rank come Bengal, the North-West Provinces and Oudh, the Punjab, and Burma, each governed by a lieutenant-governor (appointed by the Viceroy) with a legislative council. In the third rank come the Central Provinces and Assam, each under a chief commissioner.

3.—Financial Relations between the Central Government and the Provincial Governments.

Provincial Finance.

Appendix, No. 3 Vol.II., p.44, East India Financial Statement, 1887–8, paragraphs 22 to 68.) Lord Mayo's Minute, laid before Parl. Feb.15,1871, and resolution of Indian Govt., 14 Dec. 1870. Lord Mayo, 18 Mar.1871, SirR.Temple, Finl. Statement 1871–2.

14. A knowledge of the financial relations between the Central Government and the Provincial Governments is essential to a knowledge of the Indian financial system. Up to the year 1871† the Central Government retained in its own hands the entire control of finance; and doled out money to meet the demands of the Provincial Governments. The Provincial Governments collected the greater part of the revenue in each province. They had no responsibility for financial administration, and each Government endeavoured to secure for itself from the Central Government as large a share as possible of the common fund. On the other hand, the Central Government was not in a position to fully appreciate local requirements.*

In 1871 Lord Mayo's Government made a new departure. He gave to each Provincial Government a fixed permanent grant out of the revenues collected within the limits of the province. Out of the grant thus made the charges for services specially affecting the Provincial Governments were to be paid, but excess of expenditure over the grant was to be met by revenue raised locally.

In 1877 and in subsequent years this policy was modified and developed. A fixed grant of money is now no longer made, but the whole, or a proportion, of certain taxes and other receipts collected by the Provincial Governments is assigned to them in order to meet either the whole or a proportion of the charges incurred for the various branches of internal administration within the provinces. The Provincial Governments are thus given a direct interest in the efficient collection of the revenue, and we are informed that the collection has in consequence improved. The Provincial Governments may not alter taxation, or the rules under which the revenues are administered, without the assent of the Central Government. They are subject to the general supervision of the Central Government‡ and to conditions concerning the maintenance of great lines of communication, the creation of new appointments, the alteration of scales of salaries, and some other matters. In other respects they have a free hand in administering their share of the revenue.

Provincial financial administration. Q. 122.

15 In each Province a branch of the secretariat is specially charged with financial administration, under the immediate control of a Member of the Council in the Presidencies, in the other Provinces of the Lieutenant-Governor or Chief Commissioner. Correspondence is conducted with the Central Finance Department through this Department. The Civil Accountant-General, who represents in the province the Finance Department of the Central Government, is considered a financial adviser of the Provincial Government, but in this capacity he has no power beyond that of tendering advice.

Provincial contracts.

16. The arrangements between the Central and Provincial Governments, commonly called provincial contracts, are concluded for periods of five years. Towards the close of each quinquennial period the provincial finances are reviewed. An estimate of the expenditure thought necessary for each province is made, and a proportion of the provincial revenue sufficient for that expenditure is assigned to the province. Thus,

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* *e.g.* The Governors of Presidencies in Council correspond on certain subjects direct with the Secretary of State.

† Before 1871 Bombay alone raised a revenue for local purposes.

‡ "The Governor-General in Council will not relinquish his general power of supervision and control in any Department, but his Excellency will as far as possible avoid interference with the details of the administration of the transferred revenues, and any embarrassment of provincial finance." (Resolution of Government of India, 22nd March 1877.)

under the revised arrangement of 1897 the Provincial Governments, speaking generally, retain the whole of the provincial rates, three-fourths of the revenue from stamps, half the revenue from assessed taxes, from the forests and from registration, one-fourth of the land revenue, one-fourth of the excise (one-half in Burma and Bengal), and a large part of the departmental receipts, with the exception of railway and irrigation for the most part, and military receipts. The Provincial Government takes for five years its proportion of revenue resulting from this division, the Imperial Government taking the balance. Thus, both Governments benefit proportionately by any increase of revenue accruing during the period. The Provincial Government retains any balance which it may have accumulated by careful administration during the expiring period.

17. In the case of extraordinary expenditure causing a deficit in the budget of the Central Government, the Central Government may call, and has called, upon the Provincial Governments to surrender a portion of the balances of revenue in their hands. It did so during the Afghan war, but it subsequently made good to the provinces the sums reclaimed (Rx. 670,000). It did so in 1886–7 in order to meet the charge of the Burma war, and the fall in the gold price of silver (Rx. 400,000); again in 1890–1 (Rx. 490,000); and again in 1894–5 (Rx. 405,000); but in the last two instances the amounts were subsequently refunded.

But, apart from such pressure, the Central Government undertakes the extraordinary risks of Government. Sir E. Baring (Lord Cromer), in the financial statement of 1883, pointed out that Indian finance is exposed to four special dangers—war, fall in opium, fall in exchange, and famine. The provincial contract system throws the burthen of the three first risks on the Central Government. Only the fourth falls on the Provincial Governments. In the case of famine, the Provincial Governments may not call upon the Central Government for assistance until they have exhausted their current income and a certain proportion of their accumulated balances.

Provincial and local rates.

18. Further, such of the Provincial Governments as have legislative councils (viz., Madras, Bombay, Bengal, the North-West Provinces, the Punjab, and Burma), may, with the consent of the Government of India, impose provincial or local rates and cesses, and may apply the produce to provincial or local purposes.

In development of the policy of decentralisation, the Central Government has desired the Provincial Governments to delegate to subordinate authorities items of revenue and expenditure, which those authorities can administer with success.

Division of services administered by the Central and Provincial Governments.

19. It must be borne in mind that this division between central and provincial expenditure does not mean that services administered by the Central Government and by the Provincial Governments, respectively, are distinct services in the sense that the services administered by local authorities in England are distinct from services administered by the Imperial Government. The income and expenditure of the Provincial Governments are incorporated into, and form part of, the income and expenditure of the Indian Empire, and appear as such in the annual accounts of the Central Government. The Central Government, as a matter of convenience, keeps in its own hands the collection of certain revenues, such as those of the Salt Department in Northern India, the Post Office, the Telegraph Department, and those of the districts of Coorg and Ajmere, besides certain receipts connected with the Army and other services, while it leaves to the Provincial Governments the collection of the rest of the revenue; but the sums collected, whether by the Central Government or by the Provincial Governments, are brought alike under their different heads into the general budget or central account of the State. Again, the Central Government keeps in its own hands the expenditure on the army and on the Indian marine, on certain military roads, on railways and telegraphs, on most of the charges for the post office, and on the mint, and the main part of the expenditure on foreign affairs. A share of the cost of collecting certain heads of revenue is charged in the same proportion as the revenue to the Imperial and Provincial Governments. When the revenue is Imperial, the cost of collecting it is generally Imperial, even when the revenue is collected by the Provincial Governments on behalf of the Imperial Government. Lastly, the Imperial Government delegates to the Provincial Governments the bulk of the expenditure on civil administration, law and justice, registration, medical service, gaols, police, education, ordinary roads, civil buildings and works, printing and stationery, and pensions, and some works, such as canals and other irrigation works; but this provincial expenditure, like the expenditure incurred by the Central Government, is brought into one general account of the expenditure of the State, and it is audited by officers of the Central Government stationed in the various provinces where the expenditure is incurred.

4.—The Financial Machinery of the Government of India.

(a.)—*Organisation of the Finance Department.*

Central Financial Department.

20. In India the ultimate control of finance rests with the Governor-General-in-Council. He is advised on financial questions by the Financial Member of Council, the Indian Chancellor of the Exchequer. The Financial Member of Council presides over the Central Finance Department at Calcutta. A large staff of Imperial officers is employed under him, viz.:—

(1.) At the head-quarters in Calcutta—
The Secretary of the Government of India in the Finance Department.
The Comptroller and Auditor-General.
The officers of the Financial Secretary, and of the Comptroller and Auditor-General.

(2.) In the Provincial Governments—
(i.) At the head-quarters of the Province, the Civil Accountant-General.*
Under him, a staff of examiners and their subordinate officers.
(ii.) In the Provinces—
The officers in charge of the district treasuries, so far as their duties are Treasury duties.

District Treasuries.

21. The Revenue in India is not, as in England, remitted to one central bank, and the disbursements of the military, civil, public works, and other services are not defrayed from one central chest or bank. Each district, as far as possible, provides its own ways and means.

The starting point, therefore, of the Indian financial system is the district treasury, which receives the revenue of all kinds collected within the district, and makes, directly or indirectly, all payments for services, including the cost of collecting the revenue, which fall due within the district. There are 266 district treasuries in the Empire, besides sub-treasuries.† The sub-treasuries are situated at outlying posts in districts, and are subordinate to the neighbouring district treasury.

Each district treasury is in the charge of one of the officers on the staff of the collector of the district. This officer usually performs duty as an assistant collector of revenue, and is a magisterial officer, as well as a Treasury officer. In the latter capacity he is subordinate to the Civil Accountant-General of the Province, to whom he renders accounts, and under whose instructions he makes his disbursements. It is the duty of a Treasury officer to provide for the payments belonging to his district; to apply to the Accountant-General for a remittance, if necessary, and to remit moneys not needed for the service of his district to other district treasuries as the Accountant-General may direct. The remittance of funds to and from a treasury lies entirely with the Accountant-General of the Province.

Qq. 135–7.

22. The orderly administration of Indian finance depends greatly on the manner in which the district treasuries are regulated and controlled, and upon the speed and accuracy with which accounts are submitted by the district treasuries to, and are analysed and consolidated by (1) the Civil Accountant-General at the head-quarters of the Province, and (2) the Finance Department at Calcutta.

(b.)—*The Functions of the Finance Department in relation to the Collection of Revenue.*

Revenue system.

23. In the United Kingdom the Chancellor of the Exchequer is the responsible and active chief of the revenue administration. The two great revenue boards, which manage and control the collection of taxes throughout the kingdom, sit in London, and their chairmen are in constant communication with him. He answers in Parliament for their acts, and appeal from their decisions lies to him, as wielding the powers of the Board of Treasury. The Post Office, including the Telegraph Department, the Woods and Forests, the Mint, and other minor revenue offices, are also subject to him financially. The returns furnished to him weekly, monthly, and quarterly, enable him to follow closely fluctuations in receipts and he has at hand the heads of the revenue offices to assist him in ascertaining the causes of fluctuation and in forecasting the progress of his receipts. Further, he has, in intercourse with the chief

* Called in the smaller Provinces the Comptroller.

† There are separate military chests or treasuries at Mhow and three other places, where there are no civil treasuries. (App. No. 85, Vol. III., paragraph 19.)

expert officers, ample opportunity for learning defects in revenue laws or in the administration of the revenue department. Thus he is not only invested with the authority of Chief Officer of the Revenue, but he has the means of exercising that authority directly and effectively, and the personal impress which Chancellors of the Exchequer have left on the financial administration of the present century shows that centralisation of power has enabled holders of the office to discharge effectively the powers entrusted to them. The Chancellor of the Exchequer works the financial machine himself.

24. The revenue system of India is organised upon a different principle. Owing to the vast extent of territory, and the necessary partition of the country into separately organised Provinces, the Finance Minister has not to the same degree as the Chancellor of the Exchequer direct control over the departments entrusted with the collection and management of the revenues. For the same reason, his sources of information are not as easily or as immediately accessible. The larger area over which his operations extend, makes it impossible for him to learn details by correspondence, by summoning officers from distant centres, or by visiting them himself, as speedily as is possible within the narrower limits of the United Kingdom. But, although centralisation in finance suits a comparatively small and homogeneous State, decentralisation is more convenient for an immense territory, and for races varying in religion, in language, and in degrees of civilisation. Sir D. Barbour says, in illustration of this point, that Europe could not be governed in detail from one capital; and Lord Cromer contends that it is impossible for one central authority to enforce economy on a continent such as India. Q. 1964. Q. 13,586.

25. The Indian revenue system indeed varies from the English at almost every point. One law on customs, excise, and stamps applies, with a few exceptions, to the whole of the United Kingdom. In India the laws under which the revenue is collected vary to a certain extent in the different provinces, so that there is not one excise law, or one salt duty law, applicable to the Empire. It is, of course, the duty of the Central Government to take precautions against such variation giving rise to financial embarrassment. No change, therefore, can be made in taxation or in any existing system of revenue management without the approval of the Central Government, and it may be added that proposed alterations in the revenue laws are usually submitted for the criticism of local bodies affected by them, before they are submitted to the Legislative Council for enactment.* Again, in the United Kingdom, the Revenue Administration is centralised, as we have stated, under the Chancellor of the Exchequer in London. In India the administration of some branches of revenue is centralised, though not always under the Finance Minister. That of other branches is decentralised The Land Revenue, representing a third of the net revenue of the State, is under the control of a central department at Calcutta, but that department is subject not to the Finance Minister but to the Minister in charge of the Home and Revenue Departments. The Telegraph Department is under the Minister of Public Works. The Central Government controls the collection of part of the salt duty and of part of the opium revenue, of the post office revenue, and of other revenues. On these heads the Finance Minister can get information either directly or through his colleagues from expert officers in Calcutta. The remainder of the revenue is collected by the Provincial Governments, and the collecting authorities vary in the different provinces. In Bombay there are Commissioners of the Land Revenue, a Commissioner of Customs, Salt, Opium, and Excise, and a Superintendent of Stamps. In Madras, a Board of Revenue administers customs, salt, and excise. In Bengal and the North-West Provinces there are also Boards of Revenue. In the Punjab there is a Financial Commissioner and a Settlement Commissioner; in Burma there is a Financial Commissioner, and in the Central Provinces there is an Excise Commissioner and also a Superintendent of Stamps. As regards, therefore, a large portion of the revenue, the Provincial Governments are units of administration, and are efficiently equipped for their duties. The Finance Minister corresponds with these officers officially through the Provincial Governments. On questions of great importance he may have to visit the provinces himself, and confer on the spot with the revenue authorities and public bodies, as Mr. Wilson did in 1860 when maturing his scheme of an income tax, and as Sir James Westland did when the re-imposition of the cotton duties was under consideration. Qq. 39, 40. Q. 252. Q. 673,784. Q. 248. Q. 270.

* The Central Government has directed that all customs orders of general application are to be published in the "Gazette of India."

26. The revenues collected under these different authorities are paid, as we have said, by the collecting officers into the nearest District Treasury, and the officer in charge of that Treasury reports at the commencement of each month the amount of his receipts in the preceding month. Later in the month he sends forward a further and more detailed account of those receipts. Both accounts are addressed to the Accountant General at the headquarters of the province. The Accountant General consolidates the accounts as they are received into one account for all the district treasuries under him, and he forwards it to the Comptroller and Auditor General at Calcutta, who lays it before the Finance Minister. Thus the Finance Minister learns early in the month his gross receipts up to the close of the preceding month, and later in the month he learns the particulars under general heads; but he only learns the fact that certain sums have been paid into the treasuries under the heads of Customs, Excise, or other branches of revenue, for the officers in charge of the district treasuries, from whom he derives his information, are merely bankers, and can give no explanation about the sums paid over to them. Such explanation must be furnished by the collecting departments. The Accountants-General are instructed to inform the Finance Minister monthly, through the Comptroller-General, of any large increase or falling off in the revenue, and they furnish monthly to the Comptroller-General a resource estimate, which gives for the current month and the next two months a forecast of expected receipts, as far as can be gathered from the latest facts then available.*

Q. 406.

Qq. 441, 447–9.

The estimates of revenue required for the Budget are framed by the departments responsible for the various heads of revenue, and are forwarded by them to the Central Finance Department. The estimate of each branch is finally decided by the Finance Minister in communication with the department concerned.

(c.)—*The Functions of the Finance Department in Relation to Expenditure.*

27. The rules governing the preparation of the estimates and accounts and the expenditure of money by public accountants are contained in the Civil, Public Works, and Military Account Codes.

Civil Expenditure. Civil Account Code, Article 5. Qq. 510–524, 906.

A Treasury Officer may not make any payment unauthorised by the Code, unless under an express order from the Government, and he must enforce any order from the Civil Accountant-General disallowing a payment. If the Provincial Government overrules the Accountant-General, even temporarily, reference must be made to the Government of India.

28. Payments by the Finance Department from the district treasuries are either final payments or imprests. They are made through four different channels, viz.:

Q. 194.

Payments on account of Civil Administration for which the Central Government is responsible.
Payments on account of Civil Administration for which the Provincial Governments are responsible.†
Payments for Public Works.
Payments for Military Services.

The greater part of the payments made by the district treasury officers for civil services are of a simple character and final. That is to say, they are made to the persons actually entitled to the money, *e.g.*, an officer to whom salary is due, a merchant who has supplied goods. In these cases the district treasury officer produces to the auditor the final proof of payment. As soon as the Budget is passed, the Imperial Departments and the Provincial Governments are informed of the amounts granted to them, and they authorise the disbursing officers to incur expenditure within the limits of the grants. The district treasuries are authorised to honour the orders of the disbursing officers within the limits assigned to them. Special authority is required for expenditure in excess of the budget grants.

The payments for Public Works.‡

Public Works Expenditure.

As soon as the budget is passed the Finance Department informs the Public Works Department of the sums appropriated to each province and each work. The chief officer of account in the Public Works Department of the Province sends monthly to the Civil Accountant-General in the Province a statement of the amount required for

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* The local authorities responsible for the collection of revenue are informed by the Accountants-General of the amounts received by the District Treasuries under the different heads.

† The Civil payments include expenditure incurred in collecting the revenue.

‡ The financial procedure in the Public Works and Military Departments are described in paragraphs 42 and 49. We are dealing here only with procedure in the Finance Department.

public works in each district of the Province, and the Accountant-General directs the officers of the various district treasuries to issue those amounts, satisfying himself that the demands are in accord with the total sum assigned and with the general scheme of work mapped out for the Province.

Any excess over the budget grant requires the special sanction of the Government of India, but discretion is given to the Civil Accountant-General to authorise a credit in anticipation of sanction, should he consider that there is sufficient reason for such a course.

Payments for military service.

Military Expenditure.

India is divided into four military commands. The Controller,* or chief military financial officer, at the headquarters of each command is apprised by the Military Department at Calcutta of the sums granted in the budget for military service in his command, and he fixes, in concert with the Civil Accountant-General, the sums for which the military disbursing officers in the command may draw monthly upon the several district treasuries within the Province. The Civil Accountant-General authorises the Treasury officers at those treasuries to honour the drafts up to the specified amounts.

In cases of extreme urgency a supplementary credit may be opened with the district treasury on the authority of the officer commanding the station. A credit of this kind is brought to the notice of the Civil Accountant-General in the monthly Treasury accounts.

In all these cases the cash required for the public service is obtained from the district treasury.

For a large part of the payments in the Public Works and Military Departments, the district treasuries make imprests or advances to the disbursing officers. The disbursing officers in these cases make the actual payments and produce the vouchers in support of them.

Movement of Funds.

29. Cash is not allowed to accumulate in a district treasury, and money not required in the district is remitted, either in actual coin or by means of bills bought from local traders, to a central treasury, where payments are large and where money is wanted. The movement of funds was formerly a source of expense to the Government, but of late years the sale of bills has considerably increased, and the favourable terms on which they are bought has converted the charge into a profit. Thus, in 1883–4, the movement of funds cost the Government net nearly Rx. 8,000; in 1893–4 it realised for the Government a net profit of nearly Rx. 10,000.

See note to paragraph 160 of this report.

Q. 2831.

30. The district treasuries (with a few exceptions) are in telegraphic communication with the Civil Accountant-General of the Province. He is informed twice a month of the actual amount of the balances in each district treasury, and he also receives a monthly estimate from each treasury of the probable receipts and issues of the current and two succeeding months. On this information he directs the transfer of funds from surplus to deficit treasuries.

31. At a station where a Presidency bank or a branch of a Presidency bank exists, part of the Government balance is almost invariably deposited in it. Interest is payable to such banks under their agreements with the Government, when the balance at their head offices† falls below a prescribed amount, but a large portion of the Government balance at the Presidency towns is kept in a strong box or reserve treasury. Experience has shown that, if large amounts are placed at the disposal of banks, the banks may not be able to meet promptly heavy Government drafts without straining heavily their means for meeting the demands of commerce. In fact, a bank employs a Government balance rather as an advance for the accommodation of trade than as an ordinary deposit, and instances have occurred of remonstrance‡ when the Government drew freely on its balance. The minimum cash balance which the Finance Department maintains is Rx. 8,000,000—not an excessive minimum when the area over which expenditure extends is considered.

Accounts of District Treasuries.

32. The Civil Accountants-General at the headquarters of the Provinces receive on the 2nd of each month from the district treasuries in their respective Provinces an abstract of their accounts for the preceding month, and also a Statement of cash balances in the treasuries. The Accountants-General examine and consolidate these

* In India the civil officer is written "Comptroller," the military officer "Controller."

† In the case of the branch banks the Government guarantees no minimum balance, and it pays no interest as long as it has any balance at all in those banks.

‡ The Government had on one occasion a balance of Rx. 1,000,000 at the Bank of Bombay. They proposed to draw Rx. 350,000 and the Bank remonstrated.

accounts, and telegraph the consolidated results on the 8th to the Comptroller-General in the Finance Department at Calcutta. A few days later the Accountants-General receive from the treasuries fuller details of the chief heads of civil expenditure, and of the net imprests to the Military and Public Works Departments for the preceding month, and they forward the results by the 16th of the month to the Comptroller-General. On their side the disbursing officers of the Works and Military Departments report to the chief officer of accounts in their respective Departments at the head-quarters of the Province or Command the heads of their expenditure in the preceding month. The chief officers of account report the total receipts and expenditure of their respective services to the Works and Military Accounts Departments at Calcutta, and these Departments forward consolidated accounts of the total Military and Public Works expenditure to the Comptroller and Auditor-General in the Finance Department at Calcutta.

33. The Comptroller and Auditor-General lays before the Financial Member of Council on the 9th of each month a summary of the issues throughout India during the preceding month, and of the cash balances remaining in the treasuries. On the 16th he lays before his chief a fuller detail of the civil expenditure, and by the close of the month full statements of the public works and military expenditure.

General Accounts.

From these Returns the Financial Member of Council learns early in the month the total issues of the Indian Empire up to the close of the preceding month; and fairly complete information in detail of his expenditure up to that date is furnished to him by the close of the month.

On the 25th of the month the Comptroller and Auditor-General submits to the Financial Member of Council an estimate (the "Resource Estimate") of the probable payments, and the cash balances of that month and the two succeeding months, and thus the Financial Member is kept closely informed of the coming requirements of the whole Indian Empire.

Q. 121.

The estimates and accounts of Indian revenue and expenditure centre in the office of the Comptroller and Auditor-General. He consolidates and, so to speak, focusses the information for the use of the Financial Member and of the Government of India.

The Accountants-General are instructed to inform the Comptroller and Auditor-General monthly of any excessive proportionate outlay under any grant, and of any important differences which are anticipated between actual expenditure and the budget estimates; and the duty is impressed upon the Accountants-General to immediately warn the Local Government, or the Department concerned (if the administration is Imperial), of the first appearance of excess of outlay under any grant.

Estimates.

34. We come now to the preparation of estimates of expenditure. New and extraordinary services and proposed additions to, or reductions of, the estimates for the coming year are discussed by the heads of the departments and the Finance Member of Council, either before or during the preparation of the estimates. The departments throughout India prepare in the autumn their estimates for the year beginning on the following 1st of April.

Article 153, Civil Account Code.

(1.) The estimates of civil expenditure under the charge of the central government are framed by the officers immediately responsible for the administration of that expenditure. They are submitted to the Comptroller-General in the Finance Department, and are forwarded by him to the Secretary in the Finance Department by the middle of January; the Financial Member of Council then considers and approves them.

(2.) The Provincial Governments are responsible for the estimates of revenue and expenditure under their control, but their estimates are subject to examination by the representative in the province of the Central Finance Department, viz., the Accountant-General, who may give advice, but may not alter the figures in the estimates without the consent of the Provincial Government. The Provincial Governments, after considering the comments of the Accountant-General, forward their estimates to the Central Finance Department at Calcutta about the middle of January. The Finance Department, in communication with its Accountants-General, and with the Provincial Governments, consider the estimates with special reference to the rules under which the provinces administer revenue and expenditure, and to the probability of the estimates of revenue being realised, but it does not interfere with the discretion of the Provincial Governments in details. The provincial estimates are finally approved by the Financial Member of Council.

(3.) The preparation of the public works and of the military estimates is described in the sections of this report which relate to financial procedure in those Departments. The Public Works Department submit their estimates to the Finance Department by the end of February. They are examined in the Finance Department by the Comptroller-General, and are finally approved by the Financial Member.

(4.) The Military Department submits the military estimates to the Finance Department by the end of February. They are examined by the Comptroller-General, and finally approved by the Financial Member.

35. The Comptroller and Auditor-General* in the Finance Department consolidates the estimates thus forwarded into the Budget for the ensuing year, adding his own estimates for services (such as the public debt) for which he is responsible.

The Budget in complete form is then submitted to the Financial Member, and, as approved by him, is laid before and passed by the Governor-General in Executive Council. The financial year in India terminates, as in England, on the 31st March, and the Budget, containing estimates for receipts and issues *during* the year, is usually opened by the Financial Member in the Legislative Council of the Governor-General in the last week of March. This date is determined partly by the fact that the Government removes soon after that time from Calcutta; but there is administrative convenience in passing the estimates for the coming year before the close of the expiring year. The Legislative Council does not vote the Budget. It can comment upon it, but it may not alter or amend it. When the Budget has been approved by the Governor-General in Council, the Finance Department informs the different departments that the sums approved have been placed at their disposal, and credits are then opened in the disbursing offices in the manner described in paragraph 28. After the close of the financial year the Comptroller and Auditor-General prepares the Finance and Revenue Accounts which give in detail the income and expenditure of the Indian Empire during the expired year.

(*d.*)—*The Functions of the Public Works Department in Relation to Expenditure.*

Operations of Public Works Department. Q. 341–8.

36. The Public Works Department is responsible for the erection and repair of public buildings, for the construction and maintenance of roads and canals, and for the construction and superintendence of railways and irrigation works. In 1897–8 the expenditure on railways under the control of the Department amounted, in round figures, to Rx. 22,700,000, on irrigation to Rx. 3,000,000, on civil buildings and roads and on famine protection works to Rx. 5,456,000, in all to about Rx. 31,600,000. Capital expenditure in addition on railways and irrigation works amounted to Rx. 4,378,000, making a total expenditure on works of about Rx. 36,000,000, exclusive of about Rx. 1,000,000 spent on military works, but charged to the Public Works Budget. Expenditure on works is either Imperial or Provincial. The Imperial Government executes and pays for "Imperial works," often employing a Provincial Government as its agent. The Provincial Governments execute and pay for "Provincial works." The great works at Periyar providing a water supply for part of the Province of Madras were constructed by a chief engineer of the Madras Public Works Department. On the other hand, a railroad passing through more than one province is under a chief engineer appointed by the Public Works Department of the Government of India. Works estimated to cost over Rx. 100,000 or, if rolling stock and the like charges are included, Rx. 125,000, require the sanction of the Secretary of State. Works in Madras and Bombay, estimated at more than Rx. 20,000, and in other Provinces at smaller amounts proportionately, require the sanction of the Government of India.

Q. 876.

Q. 1659.

Organisation of Public Works Department.

37. A member of Council is always at the head of the Public Works Department. He has under him (1) a †Secretary and an Assistant Secretary, and (2) an Accountant-General. This central office is Imperial; it is charged with the execution of Imperial works, and supervises the execution of railways; but irrigation works, roads, and buildings are generally executed by the staff of the Provincial Governments on behalf of the Imperial Government. The Central Office exercises also a general, but limited, control over Provincial works. It criticises the estimates of works proposed by the

* The Secretary in the Finance Department also compiles an independent set of the budget estimates for the Financial Member.

† The Public Works Staff has recently been re-organised. It now consists of (1) a Secretary, a Joint Secretary for Irrigation, Directors of Railway Construction and of Traffic (who are also Deputy Secretaries) and (2) an Accountant-General (who is also Deputy Secretary).

Provincial Governments, compiles the consolidated budget of Imperial and Provincial works, and it keeps the consolidated accounts of the Imperial and Provincial expenditure
Q. 1475. on works. The central office is divided into five branches, viz., the Buildings and Roads branch, the Irrigation branch, the State Railways Construction branch, the State Railway open line branch, and the Accounts branch, which is also the Audit branch. Each Provincial Government has its Secretary of Public Works and its Public Works establishment. The executive officers of the provincial establishment are
Q. 877. appointed by, and are responsible to, the Provincial Government; on the other hand, the financial officers in the Provinces are appointed by, and are responsible to, the Imperial Government, being subordinates of the central office described above.

Military Works. Q. 348. Q. 1544. Qq. 1674 1682–6. Q. 1705.
38. The cost of military works is defrayed, not from the military budget, but from the public works budget. All important military works are executed by a separate department under the Director General of Military Works, who frames the estimate for this branch of service, and sends it to the Central Public Works Department for insertion in the budget of Public Works. The Public Works Department is therefore, so far as military works are concerned, simply the Paymaster of a branch of Army expenditure, which it neither orders nor controls; and thus over Rx. 1,000,000 a year of military expenditure appear in the estimates and accounts under the head of Civil expenditure, though shown separately.

Q. 781. The Telegraphs form a separate branch of administration under the Director-General of Telegraphs. They are kept in the hands of the Imperial Government, and are subject to the general control of the Public Works Department.

Famine Protective Works. Q. 1533.
39. Famine protective works are charged against the Famine Grant; but other expenditure on great undertakings, viz., railways and irrigation works, is not charged against revenue, but is carried to capital account, and the cost of these undertakings is provided in the main by loan. These loan works must be approved by the Secretary of State, and they must be productive. For that purpose the estimates must show good reason for expecting that a railway will in five years earn interest on the money borrowed for its construction, and will recoup the interest paid during construction, and that an irrigation work will on the same principle pay its way in ten years.

Q. 301, 302.
40. The Public Works Department regulates the traffic arrangements on the State Railways. There are maximum and minimum rates within which the railway administrations can exercise a discretion, reporting their action to the Public Works Department. If an alteration of rates is proposed involving a loss of revenue, the proposal is submitted to the Finance Department.

Financial Administration of Public Works Department. Q. 1494. Q. 1501.
41. The financial administration of the Public Works Department is regulated by the Public Works "Code," the financial provisions of which can only be altered with the assent of the Finance Department. It is conducted by the Accounts branch of the Central Works Department, which consists of the Accountant-General; the Deputy and Assistant Accountants-General, and a staff of examiners, including a special examiner of military works, and other officers, about 80 in number. The Accounts branch of the Public Works Department in each Province is also subject to the Public Works Accountant-General at Calcutta. The Examiner is the chief financial officer of the Public Works Department in the Province. His duties are in the main those of an auditor, but he is in addition an advising officer of the Provincial Government. There is also an examiner attached to each important railway.

Q. 1603. The Examiner in each province makes up a yearly statement of the expenditure on works in the province, and the Accountant-General of the Public Works Department at Calcutta prepares from these provincial statements a general statement of the
Q. 1609. expenditure upon public works in the Indian Empire during the expired year, which is inserted in the Finance and Revenue Accounts. The Accountant-General also publishes annually a memorandum on the accounts of the Public Works Department, in which he reviews the progress of expenditure and mentions special irregularities.

Public Works Estimates. Qq. 1637–40.
42. In October the Provincial Governments send up to the Public Works Department at Calcutta schemes of the works which they recommend for execution in the ensuing financial year. The schemes, including both Imperial and Provincial works, are considered at headquarters in concert, so far as is necessary, with the Finance Department, and, as approved or modified, are returned to the Provincial Governments. The financial exigencies of the State necessitate occasionally reductions in this branch of the public expenditure.* The executive officers of the Provincial Public Works

* Mr. Becher, Deputy Accountant-General in the Public Works Department, gave the year 1893–4 as an example.

Departments, on receiving back the schemes, prepare their several estimates on the basis as approved, and forward them to the Public Works Examiner at the Provincial headquarters, who consolidates and submits them to the Provincial Government, and the Provincial Government forwards them to the Public Works Accountant-General at Calcutta by the middle of January. The Accountant-General then prepares his general budget of works, both Imperial and Provincial, for the year, and submits it to the Member of Council in charge of the Public Works Department, who sends it to the Finance Department about the middle of February. It is finally sanctioned as part of the general budget by the Governor-General in Council. As soon as the budget is sanctioned, the Provincial Governments are informed of the sums which they may spend on each work, and a credit is opened at the convenient District Treasury for each executive officer in charge of a work, placing at his disposal the monthly amounts which he is authorised to spend. Qq.314,1553.

(e.)—The Functions of the Military Department in Relation to Expenditure.

43. India is divided into four military commands, Bengal, the Punjab, Madras and Bombay. Each of the commands is an administrative military unit, subject only to the supreme control of the "Government of India in the Military Department," in other words, of the Indian War Office. The head-quarters of the Indian Army are at Simla. Military Administration. Q. 872.

44. The Military Member of Council is immediately responsible for the financial and departmental administration of the army. The Commander-in-Chief is immediately responsible for the discipline and efficiency of the army and for the movement of troops. He has practically* no financial power. His proposals, if they involve expenditure, changes of organisation, or other important questions, are examined financially by the Military Member of Council before they are submitted to the Viceroy. The Military Member corresponds in a certain sense to the Secretary of State for War in the present organisation of the War Office at home, but with this important difference, that the Secretary of State is supreme, whereas the Military Member is not the official superior of the Commander-in-Chief in India. In the event of difference between them on matters of importance, the decision lies with the Governor-General in Council. In fact the Military Member holds a position intermediate between that of the present Secretary of State, and that of the old Secretary-at-War in the Home Administration, who, it will be remembered, was responsible only for the finance of the army. The Military Member has a seat on the Executive Council of the Viceroy, as an ordinary member. The Commander-in-Chief also is almost invariably appointed an extraordinary member. Thus a somewhat disproportionate weight of voting power is apparently given to military opinion in the Council, which, including the Viceroy, consists of seven members. It is argued, however, that this is not the case, and that the Military Member represents the principle of economy in military finance. Theoretically, he is rather a check on, than an ally of the Commander-in-Chief: but it is not agreed how far in practice this is, or is not, the case. Sir E. Collen, who was Secretary in the Military Department, and is now Military Member of Council, told us that the Military Member is economical both by theory and in practice; and he gave us several instances in which the Military Member had reduced the estimates. He contended that it is the duty of the Military Member to check undue expenditure, adding that the Military Member and the Finance Member are often allies. His view is supported by the evidence of Sir H. Brackenbury. Sir David Barbour, formerly Finance Member of Council, admitted the theory, but did not altogether agree as to its application.

Military Member of Council. Appendix No. 86. Vol. III., Q. 14,476 *et seq.* Q. 14,411. Qq. 3623, 13,567–70, 15,547. Q. 3557. Q. 1860.

45. The Military Department of the Government of India at Calcutta is divided into two branches: that of the Secretary, and that of the Accountant-General.

(1.) The Secretary as Chief Officer of the Department, is responsible for the whole of the military business of the Department, and he gives attention to financial as to other business; but the secretariat is mainly employed upon the general administrative business of the army. The circular of October 1894, abolishing the independent commands of Bombay and Madras, and reorganising the army of India, made the regulations for watching and controlling military expenditure more strict. There is

Organisation of Military Department. Appendix No. 86. para. 2., Vol. III. Executive Branch. Q. 1168. Q. 3505.

* He is permitted to spend a sum not exceeding Rs. 10,000 in a month on unforeseen and non-recurrent services. The Lieut.-Generals at the head of the commands enjoy severally a like permission to the extent of 2,500 rupees. Qq. 3581, 3662–75.

more consultation of the Finance Department, and less latitude is allowed to the Secretary and to the Accountant-General. Every proposal involving increase of expenditure, though it be only to a small extent, must be submitted to the Military Member of Council before it is referred to the Finance Department. Thus the Military Member, at the cost perhaps of some time devoted to matters of minor importance, learns in its minute details, and keeps in his own hands complete control over, the whole of the military expenditure.

Accounts Branch. Q. 1150. Q. 3350. Qq. 3460–8. Q. 1405.

(2.) The Accountant-General is also Deputy Secretary in the Military Department. His Department is divided into two sections. The duties of the first section are executive, and pertain to him rather as Deputy Secretary. They deal with such questions as pay, allowances, and contracts. This section was created on the Report of a Committee appointed by the India Office in 1880 to investigate the errors which had occurred in estimating the charge of the Afghan War. The Committee recommended that the Accountant-General should be also Deputy Secretary. The second section is the Military Accounts branch. The central accounts of the army are kept, and the budgets of the commands are received, revised, and consolidated in this section. The Accountant-General is the principal officer of record in the Military Department. He is not the head of the military finance administration, so far as accounts are concerned, for the financial officers of the Military Department in the Commands are directly subordinate on questions of account to the Comptroller and Auditor General in the Finance Department. Sir Oliver Newmarch, who has held the post, told us that the Military Accountant-General is not charged with direct audit work. On other questions of finance the military financial officers in the Commands are directly subordinate to the Military Department, sending their returns and statements to the Military Accountant-General. That officer is consulted by the Military Member of Council on financial questions. It is his special duty to keep the Military Member informed as to the progress of military expenditure. He cannot be overruled by the Military Member of Council unless the Finance Department concurs. A Deputy Accountant-General, an Assistant Accountant-General, and a staff of controllers, examiners, accountants, and clerks are attached to this branch* at Calcutta and in the Commands.

App. No. 86, para. 22., Vol. III.

para. 2.

Financial organisation in the Commands.

46. Next in the order of military financial administration come the Commands. Each Command is a separate and fully equipped unit of administration, subject only to the Central Military Department at Calcutta. Each has its own administrative departments (such as the commissariat, the ordnance, and the clothing departments) and its own staff of financial officers. The chief financial officer of each command is the Controller of military accounts. He is the head of the military financial staff attached to the Command, and he is responsible for the orderly conduct of finance within the Command. He corresponds on questions of account directly with the Comptroller and Auditor-General in the Finance Department, but on other financial questions he corresponds with the Military Department. The Controllers are enjoined to control all the offices charged with financial duties which are attached to their Commands, in such a manner as to ensure the due performance of their duties by the examiners and other officers. The Controllers have further to arrange for the periodical inspection locally of the accounts of such regiments and departments in their Commands as they may select.

App. No. 86, paras. 21, 22, 23, 24., Vol. III. Q. 1334. Q. 1401–3. Army Circular, Nov. 1, 1895 p. 19, para. 25.

47. The other financial officers in the Commands are (1) the disbursing officers; (2) the examiners of military accounts with their subordinate officers. (1.) The disbursing officers are officers of the commissariat, regimental paymasters, commanding officers of native regiments, remount and clothing officers—in short, all officers entrusted with the payment of army services at places where troops are stationed or military departments are established. They render accounts to the Controller of military accounts, though they are not otherwise subordinate to him. There are, in all India, 191 military stations, and 582 disbursing officers.

Q. 1190, *et seq.*

(2.) The military examiners of accounts, with their officers, are subordinates of the Controller. They are mainly employed in auditing the accounts of military expenditure in the Command. There are three of them at the headquarters of each Command. They are usually military officers seconded originally for five years from their regiments, and then allowed to choose between the two careers. Occasionally civilians trained in the department are raised to the rank. The examiners have

Q. 1327.

Q. 3627.

* Four controllers, 16 examiners, 56 deputy and assistant examiners, 122 accountants, 881 clerks, besides 8 special or probationer examiners. Para. 4, App. No, 86.. Vol. III.

under them deputy and assistant examiners (who are usually non-commissioned officers) besides accountants and clerks.

48. So far we have described the staff engaged in the financial duties of the Military Department, but, in order to understand financial procedure, we must follow it through the stages of estimate, issue, and expenditure.

Military Estimates.

1. *Estimates.*—About the middle of August in each year the Controller in each Command asks the heads of military departments in the Command for their estimates for the ensuing year. He himself prepares certain estimates (such as that of the pay of the forces), for which he is responsible. The estimates of the heads of departments are submitted to the Controller at different dates between the 15th September and the 15th October. These estimates are revised by the Controller, and are returned to the heads of departments for submission to the Military Accountant General, to whom they must be forwarded by the 15th December. The Military Accountant General revises these estimates, and consolidates them into one general military budget for the Indian Empire, which he lays before the Military Member of Council not later than 15th February. The Military Department forwards it about the end of February to the Finance Department.

Qq. 1215, *et seq.*, 316–20, 3514, *et seq.*

Appendix No. 86, pars. 40 and seq. Vol. III.

Q. 3511.

Q. 311.

Q. 3515.

Consultations have previously taken place between the Commander-in-Chief, the Military Member, and the Financial Member, on increases or reductions of the military estimates. By far the largest part of army expenditure is fixed and ear-marked under existing regulations for pay, pension, food, clothing and other services. The balance, therefore, in which, apart from extraordinary measures, reductions affecting the year's finance may be made, is comparatively small. If in these discussions a difference should arise between the Commander-in-Chief and the Military Member on the one side, and the Financial member on the other side, it must be decided by the Governor General in Council. The Military Budget is subsequently discussed in the Executive Council of the Governor General, and it is laid, as part of the general budget of the State, before the Legislative Council. Finally, the Governor General, in his Executive Council, appropriates the money which it provides to the various services named in the Budget, and the Finance Department returns the Military Budget to the Military Department as approved and appropriated.

Q. 3545.

Q. 1232.

Military Expenditure.

49. 2.—*Issue and Expenditure.*—The Military Department, having received the approved budget, informs the Controller in each Command of the sum appropriated to the Command, and to the different services within the Command, and the Controller notifies to each disbursing officer the monthly sum for which that officer may draw upon the civil treasury chest in order to defray the charge of the service committed to him, informing the Civil Accountant-General of the order so given. The officer in charge of each civil treasury chest learns in his turn from the Civil Accountant-General the amount to which he may honour the drafts of the military disbursing officers upon his chest. If money is required by a disbursing officer in excess of this monthly assignment, he applies to the military Controller for an extraordinary assignment, and if the service is very urgent he may apply to the officer in command of the station, who gives a provisional authority, informing the Controller of his act. It may be mentioned that military pensioners used to be paid by military officers, who went on circuit for the purpose. Now, however, as a rule, pensioners have to present themselves at the civil treasuries, and they are paid by the treasury officer, who compares the pension certificate with a descriptive roll in his possession.* The pensions payable to native soldiers amount to a large sum, about Rx. 720,000 a year, and it is evident that great care is necessary, in making these minute payments to individuals, to prevent personation. The military authorities, however, appear satisfied with the working of the arrangements, and do not suspect fraud. The statistics of pensions are reviewed from time to time to see how far the actual mortality corresponds to the mortality anticipated by the actuarial calculations of the Military Department. It will be remembered that military pensions at home are largely paid by means of post office orders, an arrangement in principle analogous to that of India. In both instances the military authorities must be responsible for watching closely the operation of regulations which might, it is evident, be much abused.

Q. 1237.

Q. 1302.

Q. 1468.

The Military Accountant-General at Calcutta keeps a watch over the progress of military expenditure. He receives from the Controllers in the different Commands about the 10th of every month a preliminary statement of army expenditure in each

Q. 1397.

* In some parts of India pensioners are paid through the Post Office.

Qq. 362, 3533. Command during the preceding month. Further details follow about the 20th, and a fairly full account on the 26th. On the other hand, he receives from the Comptroller and Auditor-General in the Finance Department at Calcutta a copy of the returns of issues from the Civil Treasuries to military disbursing officers, and an examination of these various statements enables him to give from time to time to the Military Member of Council a fairly early and correct estimate of military expenditure. We are informed that in the case of the Chitral Expedition the estimates so framed Q. 389. proved trustworthy. The Military Department receives from the Comptroller and Auditor-General the state of the Army audited account from time to time. This account is complete about 10 weeks after the expiry of the period to which it relates. Before the 31st December the military Controllers draw up from the accounts in their offices statements of the military receipts and expenditure in their Commands during the preceding financial year, and submit them to the Military Accountant-General in time to allow him to put in order and consolidate the information from each Command, and to forward them to the Comptroller and Auditor-General for insertion in the Finance and Revenue Accounts.

Q. 3566. Lastly, the head of each Military Department draws up reports on the administrative and financial work of his department during the year. We are told that the financial reports which are laid before the Government of India would record any notable irregularity; and that both the administrative and financial reports are presented to, and are analysed by, the Military Department.

The sums issued and expended under these regulations are very large. The military budget of the Bengal Command amounted in 1895–6 to Rx. 5,168,603, that of Bombay to Rx. 3,403,436, that of Madras to Rx. 3,394,789, that of the Punjab to Rx. 6,153,284. The military budget of the Indian Empire for the same year, therefore, amounted to Rx. 18,120,112 (gross), exclusive of expenditure in England and expenditure on military works.

II.—Conclusions.

I.—*Financial System.*

System of account. 50. We have carefully examined and we have described at some length the regulations under which the financial administration of the Indian Empire is carried on. The district is the unit of administration. The revenue collected in the district is paid without delay into the district Treasury, and is then at once available for the public service. The district Treasury is thus put in possession of funds from which it defrays expenditure within the district, and revenue not needed for that purpose is transferred to Treasuries where funds are needed. This movement of funds formerly entailed a charge upon the State, but cheaper methods of transfer have of late years converted it into a source of profit. We find further that the system of account has been much improved since 1880. The district Treasuries render promptly statements of their receipts and issues, and by means of them the Financial Member of Council learns early in the month the total sums received and issued up to the close of the preceding month, and fairly complete and detailed information of income and expenditure up to that date reaches him by the close of the month. Thus the consolidated account *to the end of each month* of the whole income and expenditure of the State is completed in the Finance Department at Calcutta within a month or six weeks of the date to which the account refers, while the Finance Member of Council has warning earlier from preliminary reports, if at any point receipts are falling off, or if expenditure exceeds its normal rate.

51. The result achieved appears to us satisfactory, when we consider the immense extent of territory in which revenue is being collected and paid away. The early information derived from the preliminary reports, supported by the fuller information which follows without undue delay, enables the Finance Member of Council to keep his finger on the financial pulse. That is a main object of a sound financial system, and it is attained in India without excessive centralisation and without unnecessary delay. It differs, it is true, and considerably from the English system. The account of Indian revenue and expenditure is made up monthly, the details being collected gradually during the course of the ensuing month.

English and Indian Budgets. English system. 52. In England the central account of the State kept at the Treasury is made up daily, and the Chancellor of the Exchequer can obtain on any evening an account of his income and expenditure at the close of business on that day. That he can do so is due to the institution of the Exchequer.

The great Revenue Departments in London pay daily into the account of the Exchequer at the Bank of England all the revenue which they have collected in London or received from the provinces, reserving only a certain margin. The Treasury issues daily, under certain safeguards, *imprests* from the Exchequer account to the spending departments. These Exchequer receipts and issues form the basis of the Budget, and they are recorded in the central Treasury account which is made up, as we have described, daily.

The English Budget is, therefore, based not upon the revenue actually received, and upon the expenditure actually defrayed, but upon these receipts on account and imprests. The Exchequer system here is of immemorial usage, it is well understood by those who study finance, and it enables the National account to be made up at any moment. Its promptness is its recommendation. Accounts laid later before Parliament enable comparison to be made between the receipts and issues as shown in the Exchequer account, and the revenue actually received, and the expenditure actually defrayed in the year, and Parliament is content to leave examination of differences to the Committee of Public Accounts. Experience, however, shows that those differences are not usually material, or such as to mar the substantial correctness of the Exchequer account.

Indian system.

53. The Indian system is different. The Budget there is based upon revenue to be actually received and expenditure to be actually defrayed within the year, and the accounts have reference to these actual results. The process of ascertaining them is necessarily slower, but the system itself is sound, it is adapted to the financial machinery in force, and it is sufficient, as far as we can judge, for practical purposes. A comparison of the two systems is, therefore, interesting, but it does not imply or suggest that a change in the Indian system is needed. One inconvenience, as we venture to think, does attend the Indian system. The Budget is, of course, the standard by which the progress of finance during the year is measured. The Indian Budget is opened before the close of the financial year, and the results of the completed year cannot, therefore, be given. Hence, it becomes necessary to frame a revised estimate for the expiring year. This revised estimate contains about ten months of actual revenue and expenditure, with an estimate for the remaining two months of the year. Within a comparatively short time from the close of the year the account of the actual revenue and expenditure for the whole year is completed. The completed account often varies considerably from the revised estimate.

Budget statements.

There are thus three statements before the public, viz., the Budget estimate, the revised estimate, and the completed account, all of these relating to a single year's finance. Financial statements issued for general use should be as simple as possible, and a number of statements relating to the same period, but varying in their figures, no doubt tend to embarrass the public.

54. In England the Chancellor of the Exchequer opens the Budget, as a rule, after the close of the financial year, and he has then only to compare the Budget estimate with the completed Exchequer account. He has no need of a revised estimate. We think the revised estimate in India an inconvenience, although an unavoidable inconvenience under present arrangements. It could only be avoided by changing the period of the financial year, or by postponing the Budget until the middle or end of May.

Control of revenue.

55. We called attention in paragraphs 23, 24 and 25 to a difference in the powers of control which the Chancellor of the Exchequer and the Financial Member of Council can respectively exercise over questions of revenue. In India the revenue authorities are not concentrated in Calcutta as they are in London, and they are not subject to the Financial Member as the English revenue authorities are subject to the Chancellor of the Exchequer. The Financial Member, therefore, cannot command expert assistance at head-quarters in the same degree as the Chancellor of the Exchequer. Financial Members of Council who gave evidence before us had not, as they thought, suffered practical inconvenience from the want. It is, however, clear that the presence at hand of the highest expert authorities must be a real advantage to a Finance Minister when he is dealing with questions of such supreme importance as the taxation of the people. The Indian system is well adapted to the requirements of India, and we are not suggesting a change. We merely note the point in passing, because it is one of interest when the relative powers of the Chancellor of the Exchequer and the Financial Member of Council are taken into consideration.

We have not learned that the Provincial Governments or the heads of Imperial Departments are under instructions to furnish the Finance Minister at fixed dates with

explanations of increase or decrease in receipts, or with comments and forecasts, as the progress of events may seem likely to modify the original budget estimate.

2.—*Financial Control.*

56. In examining the principles which regulate the administration of public expenditure, the first and most important question is the character and extent of the financial control vested in the Finance Minister. The system of financial control established in the United Kingdom is probably more complete than in any other country, and the powers of the Chancellor of the Exchequer therefore afford a convenient basis for comparison with the powers of the Financial Member of Council in India. The assent of the Treasury at home is required to every measure increasing or tending to increase the public expenditure. The power of withholding assent which this definition of financial control implies, is exercised subject to the overruling decision of the Cabinet, and, of course, to the directions of Parliament. The Chancellor of the Exchequer must be informed beforehand of proposals increasing or tending to increase the public expenditure so that he may have time to form his own judgment upon them, and, in important cases, to submit his conclusions to the Cabinet before a decision is taken.

Three Governors General of India and three Financial Members of Council have described to us the position and powers of the Financial Member of Council in India, and we may classify their evidence under the following heads:—

(*a.*) The theoretical powers of the Financial Member.
(*b.*) His practical powers.
(*c.*) His relations to other Departments and to the Executive Council.
(*d.*) His relations to the Viceroy.
(*e.*) His relations to the Secretary of State.

(*a.*) *The Theoretical Powers of the Financial Member.*

57. Sir David Barbour and Sir Auckland Colvin think that the powers of the Financial Member correspond generally to those of the Chancellor of the Exchequer, that it would be difficult to give him more theoretical or formal power than at present, and that he has ample opportunity for impressing on his colleagues the probable bearing on finance of any measure placed before them. Lord Northbrook, Lord Ripon, Lord Lansdowne, and Lord Cromer hold very much the same view, that the power of the Financial Member is theoretically complete.

(*b*) *The Practical Powers of the Financial Member.*

58. Upon this point there is a difference of opinion among the witnesses. Sir David Barbour and Sir Auckland Colvin think that the practical power of the Financial Member has been somewhat impaired. Sir Auckland says "since the events of 1885 Q 2924. "and the establishment of the Russian power in Central Asia, the balance of influence "between the Financial Member and the other Members of Council, more especially, I "should say, the Military Members, has been radically disturbed by the very great "preponderance given to military considerations in consequence of the apprehen- "sions raised in the minds of British officials in India." He adds that anyone whose experience of the post of Finance Minister dated before 1885 would scarcely be in a position to understand how great the disturbance has been in the balance in finance. But this does not point so much to diminution in the official authority of the Financial Member, as to the fact that a change of circumstances has caused greater weight to be attached to military considerations on the part of the Government as a whole, and neither Sir David Barbour nor Sir Auckland Colvin have suggested means by which the control of the Financial Member could be advantageously increased. Lord Cromer thinks that the Financial Department does not occupy the same predominant position Qq. 13,580–10. in India that the Treasury does in England. He attributes this in part to the fact that the Chancellor of the Exchequer has Parliament behind him,—an opinion which Qq. 1823, 14,028, 16,172. Lord Northbrook, Lord Ripon, and Sir David Barbour appear to share. Lord Cromer, Lord Lansdowne, and Lord Ripon think that, in practice, much depends upon the personality of the Financial Member. Qq. 13,510, 15,813, 16,173. Lord Cromer, Lord Northbrook, and Lord Ripon held office before 1885; but Lord Lansdowne, commenting upon Sir Auckland Colvin's observation as to the change since 1885, says that comparisons of that sort require to be made with very great care and discrimination, and that if there has been a tendency, at one time more than another, to liberal, or too liberal, expenditure, Q. 15,820. it was due, not so much to the peculiar character of the individuals concerned, as to the events which were passing at the time, and the conditions under which the government of India was being carried on.

(c.) The Relations of the Financial Member to other Departments and to the Council.

59. Sir David Barbour and Sir Auckland Colvin think that Members of Council are occupied with their own Departments, and that the Government as a whole does not give sufficient attention to the probable financial results of the measures which they adopt. On the other hand, Lord Cromer, Lord Northbrook, Lord Ripon, and Lord Lansdowne repudiate the view that the Council consists merely of heads of Departments engaged in forwarding the business of their Departments. They hold that the Council, like the Cabinet, is responsible for the government of India as a whole, and that the Members of the Council generally have a due sense of the importance of finance. Qq. 1928, 2909.

Sir David Barbour, in support of his contention that more continuous attention should be paid by the Council to the peculiar conditions of Indian finance, points out that there are great fluctuations in Indian revenue, and that India is really a continent, not a country. It has periods of great apparent prosperity, followed by periods of great depression. The tendency of the Council is towards expenditure, and in times of prosperity Members of Council forget the depression which will probably follow, and go too fast. He thinks that it would be better for the country if progress were more slow and regular, and more steady. Q. 13,543. Qq. 1928-9.

(d.) The Relations of the Financial Member of Council to the Viceroy.

60. Sir David Barbour says:—"To understand the Indian system of government, you "must realize the very great power of the Viceroy. As a rule the Department which "secures the support of the Governor-General on big questions would carry the day. "If the Viceroy supports the Military Department, the Military Department is the "strongest. If he supports the Financial Department, the Financial Department is "the strongest, and whether great attention is paid to financial considerations or not "depends entirely, or almost entirely, on the Governor-General for the time being. "If he is favourable to economy, the Government is economical; if he is inclined "to be —not extravagant but—liberal, we will say, the Government is liberal." Sir Auckland Colvin, Lord Cromer, Lord Northbrook, Lord Ripon, and Lord Lansdowne are all agreed as to the great power of the Viceroy, and Sir Auckland appears to think that the removal of provincial administration from the central Government leaves the Viceroy more at liberty to devote himself to Imperial questions—a result, in his opinion, not favourable to economy. Lord Cromer observes that, if the Viceroy takes the side opposed to the Finance Minister, the power of the latter is very much impaired. He says that no rules of office could give the Finance Minister a check over expenditure in opposition to the Viceroy, just as rules would not help the Chancellor of the Exchequer in England if his colleagues were against him; that it is the tendency of his mind, and he thinks of almost everybody who has been behind the scenes in India, that it would be unwise to impair the power of the Viceroy. He adds that, in his opinion, the power of the Viceroy in India is probably greater than that of the Prime Minister here; and that the Viceroy gives a certain unity of action to all the Departments. In illustration of Lord Cromer's view, we may observe that the Secretaries of the different Departments have direct access to the Governor-General, and transact business with him, so that he becomes the active head of the whole administration. There can be no question, therefore, that the opinion of the Viceroy is a most potent factor in Indian administration. It must not, however, be forgotten that questions in the Executive Council are settled by the vote of the majority. Qq. 1856, 1869. Q. 13,538.

(e.) The Relations of the Financial Member to the Secretary of State.

61. Both Sir David Barbour and Sir Auckland Colvin regard the Secretary of State, as an ally and as an economical element in the government of India, but Sir David is of opinion that there is a want of close touch between the Financial Department in India and the controlling financial authorities at home. Qq. 1853, 2932.

Lord Cromer agrees that the Secretary of State is the natural ally of the Financial Member of Council, but from his own experience he found the action of the Secretary of State more useful in small than in great things. It was useful to be able to refer a claim to the distant authority, but he regards with a certain amount of dislike anything which would transfer the powers of government from India to England. The general tendency should, in his opinion, be rather to endeavour to govern India more in India, not more from England, on account of the great liability of a governing Q. 13,571.

power in England to mistakes, not from any sort of intention, but simply from want of knowledge of facts. On that ground he has doubts as to the suggestion put forward by Sir D. Barbour that the Council of the Secretary of State might be strengthened by the addition of financial experts.

We received much evidence on the subject of communications between the Financial Member and the Secretary of State. Any Member of Council can record his dissent from a measure, and that dissent would be laid before the Secretary of State; but the objections of Members of Council may be recorded less formally in a despatch to the Secretary of State; and it was mentioned that the Financial Member frequently corresponds unofficially with Members of the Council at home and with the Financial Secretary in the India Office. The latter communications would not be seen by the Viceroy, but they might reach the Secretary of State. The question arose whether the Financial Member and other Members of Council might not have liberty to state their own views on a question in a confidential memorandum which should pass through the Viceroy to the Secretary of State. Sir Auckland Colvin does not seem to think that other communications than those now in use are needed. Sir David Barbour does not think that the formal "dissent is sufficient." Lord Cromer thinks there is force in the objection that dissent is a very formal mode of bringing forward objections. In his time it was a power rarely used. He says that if there is the least difficulty about the Secretary of State obtaining the views of a Member of Council in India, the latter should have power to write a confidential memorandum; and he points out that in the Diplomatic Service a Minister marks a paper to the Foreign Office as confidential, and writes with all the freedom of a private letter. It is very desirable, he thinks, that the same right should be allowed in India, in order that the Secretary of State may be fully informed if a Member of Council disagrees with the Viceroy, or with any of his colleagues, or with the Secretary of State himself. No communication, however, should be sent to the Secretary of State unknown to the Viceroy. The writing of letters between subordinate officials is not, in his opinion, a good way of carrying on business.

Lord Northbrook agrees generally upon this subject with Lord Cromer; Lord Ripon does not object to it. On the other hand, Lord Lansdowne dissents. He sees no occasion for the suggested change, and feels confident that its introduction would weaken the position of the Viceroy.

Recommendations.

Theoretical power of control.

62. On the first point, we think that the agreement among the high authorities whom we have quoted shows that, so far as regulations can establish a sound financial control, the system in India is theoretically complete.

Practical power of control.

63. On the second point we agree with Lord Cromer, that the Financial Department in India cannot hold a position similar to that of the Treasury in England. The post of Financial Member of Council has only existed for forty years, and no tradition of power attaches to his Department. From time immemorial, a certain pre-eminence has been accorded to the Treasury. The Treasury inherits the traditions and the powers of the old Lord High Treasurer, and since the establishment of Parliamentary government in its present form, the Prime Minister has, as a rule, presided over the Treasury. Moreover, the assent of Parliament must be obtained to an increase of taxation, and the Cabinet is aware that it will have to encounter in Parliament objections similar to those which the Chancellor of the Exchequer advances. The Financial Member of Council in India has not the same support behind him. Much, no doubt, depends both here and in India, on the personality of the Finance Minister. If the views of the Viceroy accord with those of the Financial Member, the influence of the Finance Department is secured; but if the contrary is the case, the position of the Financial Member is comparatively weak. Men of the experience of Sir David Barbour and Sir Auckland Colvin can hardly be mistaken in their observation that military opinion has been powerful since 1885, though they may under-estimate the force of the reasons which have given it weight. Lord Lansdowne, who was Governor-General since 1885, rightly points out that such comparisons require to be made with very great care and discrimination, and that if there has been a tendency at one time more than another to large expenditure, it has been due, not so much to the peculiar character of the individuals concerned, as to the events which were passing at the time, and to the conditions under which the Government of India was being carried on. Nor must it be forgotten that of late years military expenditure has largely increased in all great States, and that other

finance ministers besides those of India may make the same complaint. When questions of national defence, or, it may be, of spirited policy, have gained the public ear, financial considerations lose weight, not only in India, but elsewhere, and the balance can only be restored if, and when, the public ceases to demand large expenditure. We are not, therefore, surprised to find that Sir D. Barbour and Sir A. Colvin have no practical suggestions to make. But, after making due allowance for the forces which work for expenditure, there is good and just reason for the anxiety which Indian Finance Ministers entertain. Indian statesmen generally agree that difficulty and risk attend increase of taxation in India, and we shall have to show that the fall in exchange and the rise in military expenditure have made it necessary, since 1885, to re-impose the taxation imposed after the Mutiny and remitted during a period of less pressure. It is more important in India than in self-governing countries that the financial coat should be cut according to the cloth.

Relations of Financial Member with other Departments.

64. On the third point Sir D. Barbour and Sir A. Colvin, as Finance Ministers, are keenly alive to the evils of large expenditure, and, if they are overruled in Council, they may not unnaturally think that sufficient attention has not been given to their representations; but we must accept the evidence of Lord Cromer, Lord Northbrook, Lord Ripon, and Lord Lansdowne, as showing that the Members of Council fully understand and recognise their collective responsibility on financial questions.

Sir David Barbour, in arguing that the Members of Council should pay more attention to finance, pointed out that in India periods of depression followed periods of prosperity, and he pleaded for steadiness in finance. We understand him to mean that in time of prosperity surplus revenue should not be given away in full, but that a safe reserve should be maintained. We concur with Sir David, and we test the course of Indian finance by that rule of administration. In the interval between 1862–3 and 1895–6, a period of 34 years, India passed through one great war. She incurred large expenditure on little wars, and she suffered from two famines. Nevertheless, she has been able to meet this extraordinary expenditure without adding to her ordinary debt (as distinguished from her productive debt).

But this is not all. In the course of this period she has been able in addition to reduce her ordinary debt by 24 per cent. She has also maintained since 1881 a budget provision for famine relief and insurance, which has averaged Rx. 1,100,000 a year, and which now stands at Rx. 1,500,000. This famine provision is simply a standing surplus of income over expenditure, a permanent reserve so long as it is maintained. Thus the Government of India may fairly plead that the sound rule of action recommended by Sir D. Barbour has been observed during the period since the Mutiny.*

Sir David Barbour would probably argue that this reserve should be larger, and without pre-judging the considerations which would support reductions of taxation, we think that there is much to be said in favour of maintaining a considerable permanent reserve which in ordinary times could be appropriated to capital expenditure on public works and to reduction of ordinary debt.

Relations of the Financial Member with the Viceroy.

66. On the fourth point, the power of the Viceroy is the predominant factor in the system of Indian administration. If he should not give sufficient weight to financial considerations, a check can only be found in the Secretary of State in Council.

Relations of the Financial Member with the Secretary of State.

67. On the fifth point, we agree with the witnesses who hold that the Secretary of State is the "ally" of the Finance Member of Council. It is, therefore, desirable that he should have full opportunity of having the views of the Financial Member unreservedly expressed. Lord Cromer suggests that for this purpose the Financial Member (in common with other Members of Council) should be at liberty, if he wishes it, to state his opinion in a confidential memorandum which should not be published without his consent, but should be forwarded through the Viceroy to the Secretary of State. We think that the suggestion deserves favourable consideration.

3.—*Military Representation in the Council.*

See paragraph 44.

68. In the course of the evidence tendered to us, reference was made to the fact that two out of the seven members who constitute the Council of the Governor

* In our Report we have dealt with a period ending with 1895–6, because the finances of the following years were deranged by the late famine, but we observe that the Government of India anticipate that the surpluses of the expired and of the current year will cancel the deficit of the two famine years. In that case, our remarks will apply to the whole period to 1900, including the famine expenditure.

General are military men; and it was contended by Sir David Barbour and Sir Auckland Colvin that the military element had in consequence somewhat disproportionate weight in the Council. It was argued on the other side that the Military Member of Council is a check on the Commander-in-Chief. It is not difficult to reconcile the difference of opinion thus expressed by the most competent and experienced authorities. We are satisfied that the Military Member, both in theory and practice, acts as a check upon army expenditure by examining the proposals of the Commander-in-Chief critically and in the interest of economy; but his criticism, like the proposals themselves, has regard to details, and not to policy. The military policy of India, both as regards army organization and warlike operations, is determined by the Governor-General in Council, subject only to the sanction of the Secretary of State; and it may well be that the Finance Member, alarmed at the probable financial result of a particular policy, may object to the policy itself, and to all that its adoption entails. From this point of view he may not be satisfied when his colleagues do not agree with him, and may not unreasonably think military opinion too predominant in the Council. On the other hand, questions in Council are decided by a majority of those present, and, as Sir James Westland remarks: "If the "Financial Member finds himself in an absolute minority, he may reasonably "consider that there is something to be said for the other view." We were informed that the late Lord Lytton, when Governor General, thought that the Commander-in-Chief should not be a Member of Council, and the Commission presided over by Sir Ashley Eden on Army Organisation in India made a recommendation to that effect. Lord Cromer, Lord Northbrook, and Lord Lansdowne were opposed to change. We do not consider that a proposal affecting the constitution of the Executive Council of the Viceroy falls within our order of reference, and we therefore only record the views laid before us by high authorities.

4.—*The Financial Year.*

69. In paragraph 53 we spoke of a certain inconvenience in the number of estimates, due to the fact that the Budget in India is usually opened before the conclusion of the financial year. We think it worthy of consideration whether, in the circumstances of India, it would not be preferable that the financial year should end on the 31st December. In that case, if the Budget were opened in March, the actual result of the expired year might take the place of the revised estimate which is now presented. A change in the financial year has been more than once mentioned in the House of Commons, in order that the Indian accounts might be laid before Parliament at an earlier date, and an earlier discussion of Indian finance thus be made possible.

5.—*Revenue Returns.*

70. We stated in paragraph 55 that we had not learned that the Provincial Governments and Imperial Departments responsible for the collection of revenue are under instructions to furnish reasoned returns at fixed dates to the Financial Member of Council, as is the case at home. We should have thought it for the convenience of the Financial Member that such returns should be made, but the Financial Member of Council is the best judge of his requirements.

III.—The Audit of Public Accounts in India.

71. The audit* of public expenditure constitutes so important a branch of financial administration that we describe the Indian system in some detail. We begin with the audit applied to Indian expenditure by the central audit office at Calcutta through its officers in the provinces. A description of the detailed audit of expenditure in the Department of Public Works, and in the Military Department, will follow.

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* In 1886 Sir James Westland drew up a Memorandum on the cost of audit in India. He said it was not possible to give a direct answer to the question what is the cost of audit and account in India. The cost of the various account offices could be stated, but in every case the functions they fulfil would include a very great deal more than mere work of audit and account. He gave the cost of the account offices themselves, without any separation of their functions at Rx. 416,300, together with some part of the expense of the office of the Comptroller and Auditor-General, but, he added, the Comptroller-General and his office are to a greater extent than any other office engaged in work which is not purely account and audit.

The cost of the office of the auditor of the accounts of the Secretary of State in Council, that is of the audit of the India Office expenditure is between 6,000*l.* and 7,000*l.*

The central treasury of India is, as we have shown, charged with the gross revenue and the gross expenditure of the Empire. Thus the whole public expenditure falls within the general rules of accountability prescribed for the conduct of the public service.

1. *Audit by the Civil Accountants General in the Provinces.*

72. The chief auditor of the Indian Empire is the Comptroller and Auditor-General, a high officer of the Central Finance Department at Calcutta. The actual audit of expenditure, however, takes place, not in Calcutta, but in the provinces where the expenditure is incurred. India, it will be recollected, is divided into eight Provincial Governments. In each Government the chief auditing officer is the Accountant General.* He is a subordinate of the Comptroller and Auditor-General, and he represents the Central Finance Department in the province. As chief auditor he has under him examiners and their subordinates, who are stationed at the headquarters of the province. The officers in charge of the District Treasury Chests send at the close of each month to the headquarters of the province an account with vouchers of their receipts and issues during the month. It has been explained that the whole of the Indian expenditure, whether it be that of the Central Government or that of the Provincial Governments, is paid through the district treasuries. Thus the whole of the public expenditure in the province comes before the auditing officer at the headquarters of the province. So far as these issues are for military purposes or for public works, including telegraphs, they are, in the main, imprests, and the Accountant-General of the province, with whom we are now dealing, has only to see that issues are made to duly accredited officers of the Military and the Works Department, or on their orders, and are within the credits assigned to those officers. The detailed audit of this expenditure is applied by the auditing officers of the Military and Works Departments respectively. The same remark applies to issues to the Post Office and Forest Departments, but the Accountant-General audits in detail all the issues for civil administration, whether Central or Provincial. Immediately after the close of the month, officers charged with civil expenditure send their accounts for the month with vouchers to the headquarters of the province.† The Accountant-General then begins his audit. His officers are guided and bound in their work by a minute and exhaustive code of regulations, and they disallow items which are insufficiently vouched, which are not covered by proper authority, or are otherwise not in accordance with Act or regulation. The disbursing officer has, of course, opportunity for explanation, and the Accountant-General accepts or rejects the explanation. If the Accountant-General rejects the explanation, he orders recovery of the money wrongly disbursed, and the Treasury officer is bound to enforce the recovery. If, however, the person from whom the recovery is to be made appeals to the local Government, and that Government supports him, recovery may be suspended pending a reference to the Government of India. All objections which are raised by the auditing officers are entered in a book, and the Accountant-General is specially enjoined to give attention to this book, which he formally reviews once a quarter. Any objection as to which the Accountant-General entertains a doubt is referred for decision to the Comptroller and Auditor-General. Cases in which the explanations offered satisfy the Accountant-General are not reported to the Comptroller and Auditor-General, but the book of objections is open to the inspection of the officers whom the Comptroller and Auditor-General sends to perform the test audit described in paragraph 81.

Q. 194. Q. 510. Q. 917.

Each account is audited by the middle of the month succeeding that to which the expenditure belongs, and the audited accounts are then submitted to the Comptroller and Auditor-General at Calcutta by the Accountant-General, who, if he thinks fit, attaches to it his own comments.

73. The audit is now practically completed, for doubtful questions have been decided, and doubtful charges have been finally allowed or disallowed by the auditing officers of the Province, with the exception of appeals by disbursing officers to the Provincial Government or to headquarters at Calcutta, and of special cases reserved for the decision of the Comptroller and Auditor-General.

The audited accounts reach Calcutta towards the close of the month following that to which the expenditure relates. About the same time the Comptroller and

* In the smaller provinces he is styled the Comptroller.

† This refers to payments made directly by disbursing officers. The vouchers for payments by the District Treasury on bills are sent directly by the District Treasury to the Civil Accountant-General.

Auditor-General receives from the Accountant-General of the Public Works Department, from the Forest Department, from the Post Office, and from the several Controllers in the Military Commands, the audited accounts of the expenditure, which they severally audit. He consolidates these various accounts into one general account for all India, which he lays before the Financial Member of Council in six weeks or two months after the expiry of the month to which the expenditure belongs. Thus the Financial Member of Council receives within two months from the expiry of each month, an audited account of the expenditure of all India for the financial year up to that date.

The Accountants-General make annual reports showing all outstanding objections, and explaining why they have not been removed, and the Comptroller and Auditor-
Q 2846. General reviews those reports and submits them to the Finance Minister.

The Comptroller and Auditor-General, within 12 months after the close of the financial year lays before the Financial Member and before the Government of India an "appropriation" report on the year's expenditure, embodied in the form of a
Q. 524. report, which is published in the "Gazette of India."

2. *Audit in the Public Works Department.*

74. The Examiner of Works at the Provincial headquarters is the chief auditing
Qq. 1570-98. officer of the Public Works Department, and the executive officers of that department send to him monthly their accounts and vouchers. The Examiner audits, under regulations laid down in the Public Works Code, the accounts as they are received, and disallows expenditure not authorised by the code; but the executive officers can appeal to their Provincial Chiefs or to headquarters at Calcutta against the Examiners' disallowance. The Examiner is required to report to the Accountant-General of the Public Works Department at Calcutta important objections which he may raise in the course of his audit. Such objections are reported even if the subsequent explanations of the executive officers have removed the Examiner's objection. When the monthly accounts have been passed, the Examiner draws up and sends to the
Works Code, Vol. 2. ch. 3, para. 98. Accountant-General of Works at Calcutta an audited account of the expenditure on works in his province during the month to which the account relates, and he accompanies it with a "divisional statement of objectionable items." TheAccountant-General of the Public Works Department at Calcutta compiles from these provincial accounts an audited statement of the expenditure on works in India during the month, and forwards it to the Comptroller and Auditor-General at the Audit Office in Calcutta, but he does not communicate to the Comptroller and Auditor-General the "divisional statements of objectionable items."

75. The Examiner in each province goes from time to time on a tour of inspection, and applies a test audit to the books in the divisional offices; moreover, the
Qq. 1618-9. Accountant-General of the Public Works Department at Calcutta applies a test from time to time to the work of his examiners.*

After the close of the financial year the Accountant-General of the Public Works Department prepares an appropriation account of the expenditure on public works, which is included, as far as necessary, in the general appropriation Report of the
Q. 432. Qq. 1607-10. Comptroller and Auditor-General.

Qq. 1620, 1629. 76. The Public Works Department is responsible for a large amount of stores, especially for railway works. The Examiner in each Provincial Government audits the store accounts, as he audits the cash accounts, of the Public Works department. In every September and March there is a survey of stores, and the Accountant-General of the Public Works Department at headquarters compares the result of the survey with the result of the store accounts. Control over work is exercised by a comparison
Qq. 1665, 1669. of cost with estimate, and it is stated that the result is generally satisfactory.

3. *Audit in the Military Department.*

77. The Controller is the chief auditing officer in each of the military Commands. He has under him a staff of examiners. Disbursing officers in the Commands send to the headquarters of their Command as soon as practicable after the close of each

* This test audit under the officers of the Provincial Head Quarters is so concerted with the test audit applied by the Comptroller and Auditor-General, as to subject every accounting officer to the test once in every 18 months or two years.

month the accounts and vouchers of their expenditure* during the month. The Examiners in auditing them are guided by the military account code, the rules of which are described by Sir E. Collen as minute and lengthy, and admitting possibly of simplification; by Sir O. Newmarch as voluminous, but not too minute. If an irregularity is detected, the Examiner states his objection to the disbursing officer, who offers his explanation. In case of a highly-placed officer, the Examiner asks the explanation through his chief, the Controller. If the explanation satisfies him, he passes the item. If he is not satisfied, he disallows it, and the disbursing officer must then make good in his next account the item disallowed, but he may appeal to his superior officers, even up to the Commander-in-Chief. The Commander-in-Chief, if he supports the appeal, refers it to the Military Member of Council, and, if necessary, to the Government of India, with whom rests the final decision. The objections of the Examiners are entered in a book. Sir E. Collen says that these objections give rise to much correspondence and that needless points are occasionally, not often, raised. If the authority of the Finance Department for a measure involving expenditure should not have been obtained, the Examiner must report the omission to his chief, the military Controller. If a serious irregularity should come to the knowledge of the Controller, he is bound to make it known to the Military Department, but it would not be reported by the the Government of India to the Secretary of State unless it were so serious as to require the removal of the offending officer, so that the power of the Government of India to deal with such irregularities is practically final. Grave frauds, for instance, occurred some years ago in Burma, which were reported to, and dealt with by, the Government of India, but were not reported home. Considerable power is reserved to the Examiner. He can require a reference to the Military Department at Calcutta, if his immediate chief, the Controller, should decide against him upon a question of disallowance. Sir E. Collen, however, tells us that he has never known such a case arise.

Qq. 1249, 3394. Q. 1355. Q. 3395. Q. 1366.

The Examiners lay before the Controller monthly the accounts which they have audited, but they do not send with the accounts a statement of the objections which they have raised in the course of their audit; and, as they decide themselves all but the most important cases, the Controller forms his opinion as to the completeness of their audit from the questions which they think fit to refer to him, or by the appeals from disbursing officers which may come to his knowledge. He tests, however, from time to time the work in the Examiners' offices, and he sends inspectors to visit the stations and inspect books and balances, and by this means he can test to a certain extent the action of Examiners in passing accounts. The Controller in his turn does not report to the Central Military Department at Calcutta the questions referred to him by the Examiners, or the appeals to him against disallowances by the Examiners, unless he thinks it necessary to take instructions upon them. Thus it will be seen that the Military Member of Council and his officers at head-quarters do not supervise the local audit of military expenditure applied in the Commands.† They do not know, except in a limited number of cases, the objections or questions which have arisen in the course of the audit. The audited accounts of the Commands are forwarded, not to the Military Department, but to the Central Audit Office at Calcutta, and the Military Department only receives a copy of the audited account from the Comptroller and Auditor-General. Further, the Controller in the Command corresponds on questions of audit and account directly with the Comptroller and Auditor-General, receiving directions from him, which are not, as a matter of necessity, communicated to the Military Department.

Qq. 3364, 1435. Qq. 1335, 1386.

78. After the close of the year, the Controllers prepare reports on the "appropriation" accounts of the military expenditure in their Commands, and send them to the Military Accountant-General, who consolidates them and sends the consolidated report to the Comptroller and Auditor-General. The Comptroller and Auditor-General in his turn embodies it in his general report on the appropriation accounts.

79. There is also an audit of military stores. The books and documents of the store establishments are forwarded to the Examiners at the head-quarters of the Command. This audit ascertains the stores which should be on hand. It does not verify the amount actually in hand. Sir E. Collen considers that it is a check on the labour employed and the materials used. There is a question whether the accounts of the factories should be sent, as now, to headquarters, or whether the audit should be

Store audit. Q. 3472.

* More than two-thirds of the military estimates are personal charges, which vary little from year to year (Q. 1342).

† We may remark that certain Examiners in the Bengal, Punjab, and Madras commands, are also disbursing officers, a function which is hardly compatible with that of an auditor. (Q. 1182).

applied by a staff of accountants on the spot. The officers of the manufacturing and store departments take stock from time to time and report losses; any great discrepancy is said to be rare. The Inspector-General of Ordnance in each Command makes a tour of inspection, and applies a test audit to the stores. He can write off sums up to 100 rupees in respect of losses on ordinary services, and up to 500 rupees in respect of losses on extraordinary services, but losses in excess of that sum must be reported to the Central Military Department at Calcutta. It should be added that an officer of the accounts branch of the Central Military Department is sent every year to the factories and arsenals, and he selects branches of stores for test investigation.

App No. 86, Vol. III.

4. *Audit in the Post Office and Forest Department.*

80. The accounts of the Post Office and of the Forest Department are audited locally much on the same principle as those of the Public Works Department.

5. *Test Audit.*

Test audit.

81. So far the audit, as we have described it, is local and applied by local officers, the Comptroller and Auditor-General receiving and consolidating the results. But although the Comptroller and Auditor-General deals with the accounts then submitted to him rather as an accountant than as an auditor, he exercises, nevertheless, a power, which makes him an auditor in the true sense of the term. He institutes from time to time a "test" audit. That is, he deputes certain of his own officers to go into the Provinces and Commands, and examine in detail the accounts of a portion of the Civil expenditure, of the Public Works, the Military, and the Post Office expenditure; and he receives from those officers reports on the results of their examination. These reports, with the comments of the Comptroller and Auditor-General upon them, are laid by him before the Government of India. It is stated that the test represents about a month out of the year's expenditure.

Q. 556.

The value of such a "test" audit cannot be overrated. In proportion as it is widely and frequently exercised, the Comptroller and Auditor-General can form a judgment as to the efficiency of the local audits, and can ascertain, within limits, whether order is observed in the conduct of financial business. We do not understand that at present the results of these "test" audits are brought to public notice.

6. *Summary.*

82. We are anxious that our remarks should not be read as questioning the sufficiency of the system of audit in India; but we are anxious also to make clear the distinction of principle which exists between the system adopted in England and the system adopted in India. For many years the principle of an effective audit was carefully discussed at home, and the present system was introduced step by step. The last step made the audit power altogether independent of the executive power. This decision gave the force of law to the principle which English statesmen considered sound. A different principle has been adopted in India.

English system.

83. The system of audit in England is highly centralised, the system of audit in India is to a great extent local and decentralised. The Comptroller and Auditor-General in England is considered a judicial officer, that is to say, he holds his office during good behaviour. He is only removable on address of the two Houses of Parliament, and his salary, like that of a judge, is charged by Act upon the Consolidated Fund, and is not therefore dependent upon an annual vote of the House of Commons He has no executive function. He audits by his own officers and in detail the whole of the civil expenditure. He accepts the departmental audit of the War Office and Admiralty so far as examination of vouchers is concerned, but satisfies himself by his own officers stationed in the War Office and Admiralty that the expenditure is duly authorised and correctly charged to the proper head of service. He, however, tests the correctness of the departmental audit in those two great departments by examining yearly by his own officers and in detail certain branches of expenditure which he selects for the purpose. His appropriation reports are made to the House of Commons, and a Committee of the House of Commons examines and practically passes them. He further applies a test examination to the accounts of the receipt and issue of stores, naval, military, and civil, and to the Dockyard accounts of the Navy, and the manufacturing accounts of the Army. He thus ascertains that the stores and materials purchased have been duly accounted for, and that they have been expended upon the objects for which Parliament intended to provide.

Indian system.

84. The Comptroller and Auditor-General at Calcutta is the chief auditor of the Indian Empire. He is a civil servant, and holds his office subject to the same

conditions as other civil servants. His office is in the Treasury building, but he has an establishment distinct from that of the Treasury. He has under him one Deputy-Comptroller, his subordinate in executive duties, and two Deputy-Auditors-General who are employed solely on inspection and test audit, and some 200 subordinate officers and clerks employed partly on executive and partly on audit work. He is charged with mixed duties partly executive and partly audit. As an executive officer of the Finance Department he undertakes many duties which would be discharged in England by the Secretary to the Treasury. "He is responsible for the movement of funds, that is, he sees that money sufficient, but not more than sufficient, for the public service is in hand at the numerous district treasuries throughout the Empire. He is responsible for the management of the National Debt, and he is also head of the Mint and Currency Departments. He reviews the estimates of expenditure and consolidates them into the budget which bears his signature. In the discharge of these duties he advises and acts under the directions of the Finance Minister. He may be said to represent the Treasury at Calcutta, when the Financial Secretary accompanies the Government to Simla. Thus the executive duties of the Comptroller and Auditor-General are important, and must occupy much of his official time.* Q. 93. Q. 97. Q. 110.

85. Passing to his audit duties, we note that he does not personally supervise and watch the local auditors in the execution of their audit duties. He can only form an opinion upon the manner in which they discharge their duties from the appeals against the decisions of the local officers which may come to his knowledge, from the result of the test audit, and from the special cases reserved for his decision. We learn that the questions so reserved, whether by his own Accountants-General or by the auditing officers of other departments are not numerous. He accepts, under these conditions, the results of the departmental audits throughout the Indian Empire, and consolidates them into one general appropriation account, which he submits with a report to the Governor-General in Council. The audit of the Comptroller and Auditor-General in India resembles in its general features the audit applied by the Comptroller and Auditor-General at home to the expenditure of the Army and Navy, but it differs in this important respect, that the appropriation account and his report thereon undergo no examination or review by an independent body, such as that which the appropriation accounts of the Comptroller and Auditor-General at home receive from the Public Accounts Committee of the House of Commons. Audit in India.

86. The audit of the district treasuries and of the civil expenditure is conducted in the Provinces, and by officers of the Comptroller and Auditor-General, viz., the Accountants-General of the Provinces. These officers are independent of the Provincial Governments whose accounts they audit. They are independent of the Departments of the Central Government, whose accounts they audit, except so far as that audit involves acts of the Central Finance Department. The accounts of military expenditure, of expenditure on public works, and of post office expenditure, are audited by officers belonging to and dependent on those Departments. These officers raise and decide questions of disallowance and irregularity, and the questions and decisions thereon are not reported to the Comptroller and Auditor-General. So far as concerns the accounts rendered to him by the local auditing officers belonging to the different departments, he is an accountant rather than an auditor. He compiles rather than audits the final accounts of expenditure prepared for the Central Government and for the Secretary of State. District treasury audit.

87. It appears to us that the departmental audit in India is well organised and effective. It accompanies or follows closely the expenditure to which it applies, and the Comptroller and Auditor-General is able within two months or so from the expiry of each month to lay before the Financial Member of Council an audited account of the expenditure of all India for the expired portion of the financial year up to that date. The promptitude with which the audit is conducted and consolidated into one account for the whole of India is in our opinion highly commendable. This audit is conducted by departmental officers, and departmental officers are not independent of the executive government in the sense that the officers of the Comptroller and Auditor-General at home are independent. We do not, however, lay stress upon this point, because we think that the object of the independent audit can be satisfactorily attained by the test audit applied by the Comptroller and Auditor-General. A record of objections raised by the auditor, and of the decisions given thereon, is kept in the auditing branches of the Accountant-General and of the Public Works Examiners in the province, but the record arrangement in the Military Department does not appear to be so complete. We think that a uniform rule should be established throughout the service for the record of the objections and queries which have been Departmental audit.

* *See* Sir James Westland's remark in note to paragraph 71.

raised by auditing officers. Records of objections taken by the local auditors are of service to the local heads of departments, and to the officers employed by the Comptroller and Auditor-General on the test audit, and they should be of service to the Comptroller and Auditor-General himself, as showing the manner in which the departmental auditors discharge their duty.

Test audit.

88. We attach a great value to the test audit. It appears to us that, if applied on a sufficient scale, it satisfies all the objects of an independent audit. We are informed that, as at present applied, it covers about one-twelfth of a year's expenditure. The Comptroller and Auditor-General is responsible for satisfying himself by means of it that the departmental audit is searching and effective, that satisfactory explanations of apparent irregularities only are accepted, and that irregularities not satisfactorily explained are always reported. Full discretion, subject to that understanding, should be left to the Comptroller and Auditor-General as to the extent of the test which he may consider it desirable to apply.

Independence of Comptroller and Auditor General.

89. On the question whether a change should be made in the terms of appointment and the duties of the Indian Comptroller and Auditor-General, we are divided in opinion. Some of us think that the Comptroller and Auditor-General should, as far as circumstances permit, hold his office on terms similar to those which Parliament has enacted for the Comptroller and Auditor-General of the United Kingdom; that he should be appointed the Secretary of State in Council; that his tenure should be similar to that of the judges of the Indian High Courts, and his rank and salary equivalent to those of a Secretary of Government; that he should be relieved of all executive functions, and that those functions, with the staff now employed upon them, should be transferred to the Finance Department. His own staff would then consist of the officers now employed in the examination and record of the accounts and reports received from the auditors of the different departments in the Provinces, and of the officers whom he employs upon his test audit. It appears that the Secretary of State and the Government of India have objected to the establishment of an independent Comptroller and Auditor-General, chiefly on the ground that increase of expenditure would be the consequence. Those of us who advocate the change described above think that this increase of expenditure has been over-estimated. It might be necessary to appoint an assistant secretary in the Finance Department to take over the executive duties now entrusted to the Comptroller and Auditor-General, but the staff which now discharges those duties under the Comptroller and Auditor-General should suffice to discharge them in the Finance Department. An increase is certainly contemplated in the pay of the Comptroller and Auditor-General sufficient to mark the importance of his independent office, but the staff which now discharges under him his audit duties should suffice for those duties in future, as no change is suggested in the departmental audit as at present established. If the Comptroller and Auditor-General should, in the exercise of his discretion, think it necessary to extend his test audit, he would require a larger staff. That, however, is a question for his discretion. Indian authorities appear to be satisfied with the extent of the present test, and if experience supports that view there would be no need for an increase in the number of officers.

Others of us do not concur in the views and recommendations stated above. They hold that, in the absence of anything in the evidence which supports these recommendations, the Commission is not justified in making a proposal which would impose a considerable new charge on the Indian taxpayer. They observe that all the evidence recorded on the subject is unfavourable to the proposal. Lord Cromer said that if there was any doubt on the matter, the Comptroller and Auditor-General might be made independent, but he added, "I should hardly think it is worth while incurring any expenditure for the purpose." Sir David Barbour expressed a similar opinion. He thought that the proposal would involve considerable expense, and he hardly thought that the advantage was worth the cost. Sir Auckland Colvin held that the independence of the Comptroller and Auditor-General and the auditing officers was practically sufficient. There is no evidence of the opposite purport. It is further observed that there is no evidence before the Commission of the prevalence of irregularities in the Indian audit. On the contrary the system is said in the report to be "well organised and effective," and the detection of irregularities appears to be more immediate and direct in India than in England.

Q. 13,629.

Q. 2158.

Qq. 3081–94.

It is asked, therefore, on what do these recommendations rest? The answer is, that they rest solely on the fact that the system which it is proposed to introduce in India has answered well in England. But this is to assume that what is suitable in England must necessarily be suitable in India. Now it is obvious that the circumstances of the

two countries are widely different. In England, the Parliament which votes Supplies, naturally asserts the right to exercise through the Comptroller and Auditor-General a check on the expenditure by the Executive Government of the Supplies voted. In India, the Supreme Government allots money to the Spending Departments, and already possesses in its Comptroller and Auditor-General and his Staff, an auditing agency independent of all the subordinate spending authorities. The whole subject has been carefully considered on two occasions in the last twenty years, and on both occasions the Secretary of State decided that recommendations similar to those now again put forward should not be adopted. The Government of India in 1881 was prepared to try the experiment at an extra annual cost of Rx. 15,300. But Lord Hartington did not consider that, in the circumstances of India, an independent officer of very high standing was necessary in addition to the existing establishment, and decided that the Comptroller-General should retain his executive duties along with those of Auditor-General. Lord Cross, in 1889, after further enquiry, confirmed this decision.

The members of the Commission who hold these views observe further that the administrative difficulties involved in the proposals have not been considered and would probably be serious. As the Report says, "the system of audit in England is "highly centralized, the system of audit in India is to a great extent local and "decentralized." The adoption of the recommendations would cause a great dislocation of a system which is admitted in the Report to be "well organised and effective." And, above all, it is most undesirable to adopt a measure which might suggest to the people of India that the Government of India requires to be checked in the auditing of its expenditure by an independent authority set up in India. On these grounds they are unable to support recommendations which would certainly increase expenditure, while they would, in their opinion, secure no compensating advantage.

We are therefore unable to make any recommendation on this subject.

Appropriation Report.

90. We think it would be well if the appropriation accounts of Indian expenditure and the reports of the Comptroller and Auditor-General thereon followed the form of the appropriation accounts which the Comptroller and Auditor-General of the United Kingdom presents with his certificate and comments to the House of Commons. It is a form approved by the House of Commons, and found convenient by the Committee of Public Accounts in their examination of expenditure under the various votes. We may notice that this form of account and report has been adopted by the auditor of the Indian home accounts. The change would, therefore, only mean the assimilation of the form used for expenditure in India to the form used for the expenditure of the Indian Government at home. It would certainly be desirable that this officer's Appropriation Report should embody the result of his test audit.

Examination at home of the audited accounts of the Indian Government.

91. It is essential to an effective system of audit that the audited accounts of public expenditure, together with the reports of the auditor thereon, should be examined and finally passed by an authority whose judgment has weight with the public. The accounts of the public expenditure of the United Kingdom are reviewed and practically passed by the Committee of Public Accounts of the House of Commons. The House of Commons, which grants the money required for the public service, satisfies itself by this means that its votes have been duly appropriated to the objects for which the grants were made. The reports of the Committee presented to the House of Commons make public the judgment which the Committee pass upon the accounts, and a minute of the Treasury published later shows how, and to what extent, the executive government has given effect to the recommendations of the Committee. Thus the system of account is complete from the first issue of an imprest from a grant of Parliament to the final discharge of the accountant on the recommendation of a Committee of the House of Parliament which made the grant. The system has been in operation for more than 30 years, and has worked to the satisfaction of the Treasury, that is to say, of the department which is responsible to Parliament for financial order, and also of Parliament. There can be no doubt that the knowledge that irregularities will be brought to notice, and will form the subject of comment by a Committee of the House of Commons, has a good effect throughout the public service. These final safeguards are wanting in the Indian system, and we think that they should now be constituted. The House of Commons, which grants money to the Crown for the public service, has a right to satisfy itself that its grants are properly expended. The House of Commons does not grant money for the service of India, and this distinction must be borne in mind. The Secretary of State in Council is the final authority on Indian expenditure, and he ought to be satisfied that expenditure in India has been duly and orderly governed. We think, therefore, that the appropriation

accounts, with the report of the Comptroller and Auditor-General thereon, should be forwarded by the Government of India to the Secretary of State in Council, and by him referred to a Standing Committee for examination. We think, further, that two members of this Committee should be unconnected with the India Office, and that one of them should be the English Comptroller and Auditor-General. The report of the Committee, together with the appropriation accounts, the report of the Indian Comptroller and Auditor-General, and the despatch of the Indian Government which covers them, should be laid before Parliament, and should be accompanied by a minute of the Secretary of State in Council, dealing with questions which may be raised in the report of the Home Committee.

Audit of Home Accounts.

92. The Auditor of the Indian Home Accounts addresses a report to the Secretary of State, modelled on the lines of the appropriation reports which the Comptroller and Auditor-General in England addresses to the House of Commons. His report is laid before Parliament, but the House of Commons does not review it as the reports of the English Comptroller and Auditor-General are reviewed, and the action of the Secretary of State in Council upon the report is not communicated to Parliament. The auditor of the Home Accounts, like the English Comptroller and Auditor-General, has no power finally to disallow expenditure, but the Government of India Act (1858), section 52, directs him to express his approval or disapproval of the accounts of the
Q. 2652. Secretary of State. He is to make such remarks and observations in relation thereto as he may think fit, specially noting any case in which it shall appear to him that Indian revenue has been appropriated to other purposes than those of the Government of India. He is also to specify any defects or irregularities in the authorities having relation to the Secretary of State's expenditure.

Q. 2750. We understand the auditor to hold that it is open to him to form his own judgment as to whether a service is properly chargeable to the Government of India, and whether, therefore, the payments on account of it should be the subject of comment. He may, for instance, consider in the case of a payment to the Admiralty for the services of ships in Indian waters, whether the services of those ships are properly Indian services, and further, whether the payment attached to those services is at an unreasonable rate, and it is in his own discretion whether he should make a
Q. 2360. comment upon it. The auditor informs us that the authority of the Secretary of State in Council is usually accepted, but occasionally items have been reported when the provisions of the Act did not appear to have been complied with. He gave us two instances of the exercise of this discretion. His predecessor, Sir Charles Jackson, who had been a judge of the High Court in India, reported that a payment of 19,655*l.* 18*s.* 11*d.* for consular establishments in China, although in accordance with
Qq. 2686-8. previous payments, did not appear to him to have been appropriated in conformity with the Government of India Act, clauses 2 and 52. The Secretary of State took the question into consideration, and the payment was subsequently reduced.

The present auditor, Mr. Godsell, has reported that he is unable to certify the correctness of a charge for manning and maintaining Indian Government vessels, because evidence of the fulfilment of the conditions upon which the subsidy is payable had not been furnished.

93. The provisions of the Act entrust a large discretion to the auditor, and we cannot doubt that Parliament intended him to exercise a discretion which they were so minute in describing. The auditor appears to us to apply his audit in accordance with the intention of the Act, and in a spirit similar to that in which the Comptroller and Auditor-General in England applies his audit to Imperial expenditure.

We are of opinion that he is only obeying the orders of Parliament when in the free exercise of his judgment he questions an item of expenditure, and when he offers such comment as he thinks fit upon the account submitted for his audit, especially if it appears to him that Indian revenues have been appropriated to other purposes than those of the Government of India, and when he specifies any defect or irregularity in the authority under which expenditure has been incurred. The Secretary of State in Council is free to accept or reject such criticisms, for his authority is ultimately supreme, and he himself allows, or disallows, objections advanced by the auditor against his financial acts.

94. If a committee of the India Office be appointed to examine and report on the accounts of the Government of India, the home accounts of the Secretary of State in Council, together with the report of the home auditor thereupon, and a minute of the Secretary of State in Council dealing with that report, should be referred to the same committee; and the report of the Committee, together with the papers referred to the Committee, should be laid before Parliament.

CHAPTER II.

PROGRESS OF EXPENDITURE.

95. Growth of expenditure should, in the first place, be measured against growth of revenue, that is to say, against the normal increase of revenue, independent of changes in taxation; it should, in the second place, be analysed in its several branches, in order to ascertain how far the increase is normal and incurred in order to meet the needs of a civilised and growing community, or how far it is abnormal and due to special causes.

In the first place, therefore, we review the progress of revenue and expenditure during the period which has elapsed since the Mutiny. In the second place, we analyse the growth of expenditure. Our review is based upon figures furnished to us by the India Office; but as far as they relate to revenue we confine ourselves to a record of the facts, as our order of reference does not extend to the subject of revenue and taxation.

We extend our general review of income and expenditure over the period from 1861–2 to 1895–6, because the *total* sums raised and expended at and between those dates admit of fair comparison. But changes which have been made in the classification of expenditure do not enable us to analyse the progress of expenditure in its details beyond the year 1875–6. Our examination of the different heads and items of expenditure must therefore commence with the year 1875–6.

I.—General Review of Income.

96. Modern Finance in India dates from the assumption of direct rule by the Crown in 1858, and the quelling of the Mutiny; and the year 1861–2 may be taken as a convenient point of departure. The Government of India, in their despatch of 19th April 1862, thus described the financial situation at that date:— Correspondence relating to India, No. 354 of 1862, p. 77.

"The total [gross] revenue of India 10 years ago, in 1853–4, was 29,210,000*l.** It is now upwards of 43,000,000*l.* The average revenue of the three years before the Mutiny, 1854–7, was 31,980,000*l.*; for the last three years it has been 43,000,000*l.* There has been an increase, therefore, of 14,000,000*l.* in 10 years, and of 11,000,000*l.* in five years. Of this 1,500,000*l.* is due to opium, and, as nearly as we can estimate, 5,000,000*l.* to new taxes, as the income tax, stamps, and increased salt duties,† and 1,000,000*l.* may be consequent on acquisition of new territory. There remains, therefore, an increase of 6,500,000*l.* in 10 years, or 4,500,000*l.* in five years, which can be attributed to no other cause than the elasticity of existing revenue."

97. The gross revenue, as given in this despatch, was calculated on a different principle from that adopted in late years. For instance, the receipts from public works were not entered on the revenue side of the account, the net deficit only appearing on the expenditure side. In later years, the true gross revenue and true gross expenditure are brought to account. We, therefore, quote this despatch, not as containing figures for comparison with later years, but as giving shortly, and in the words of the Government of India itself, their views of the financial situation at the close of the Mutiny.

98. The accounts of these years were recast subsequently in order to facilitate comparison between different periods, and from the recast accounts we find that the gross revenue of the year 1861–2 amounted to Rx. 45,389,000. That, therefore, was the gross revenue of India in the year when equilibrium between income and expenditure was practically restored. A part of this gross revenue was derived from increase of taxation. The taxes which had been imposed during the Mutiny were estimated by the Government of India, in the despatch which we have quoted, to produce Rx. 5,000,000. The actual increase was probably greater. We incline to reckon it at Rx. 5,800,000. A portion of this increase (but probably not a very large portion, in face of the increase of the duties) may have been due to increase of consumption.

Taxes had been imposed under the following heads:—

1. Customs revenue‡ in India was derived partly from import, partly from export duties. Before the Mutiny the tariff was, as a rule, 5 per cent. *ad valorem* on

* The rupee was converted into sterling at the conventional rate of 2*s.*

† The Customs had also been increased from 5 per cent. to 10 per cent. *ad val.*

‡ Wilson's Financial Statement, 18th February 1860, H. of L., 296 of 1860, p. 88.

goods imported. In 1859 it was, with a few exceptions, raised to 10 per cent. The increase of revenue was about Rx. 1,000,000. In 1860 the duty on cotton twist and yarn was raised, and other revisions made, with an estimated gain to the revenue of Rx. 351,700.* We think that the increase of revenue from increase of duties may be taken at Rx. 1,500,000.

2. Stamps.† In 1860 the stamp duties (including court fee stamps) were generally raised, producing an additional revenue of Rx. 948,300. This is the actual increase of stamp revenue in 1861–2 over 1858–9. It is probably a full figure at which to estimate the result of the increase of the duties.

3. Salt.‡ In 1859 and 1861 the salt duty was raised, the total increase being 30 per cent. in Bengal, 50 per cent. in the North-West Provinces, the Punjab, and Oudh, 43 per cent. in Madras, and 66 per cent. in Bombay. The increase of 1859 was expected to yield Rx. 630,000, that of 1861 Rx. 598,000, or Rx. 1,228,000. The actual increase in 1861–2 over 1858–9 was Rx. 1,955,000, but part of this was due to increase of consumption. We think that the result of increased taxation may be put at Rx. 1,600,000.

4. §The income tax was imposed in 1860. In 1861 Mr. Laing, Mr. Wilson's successor, gave the produce as Rx. 1,750,000.

5. A licence duty was imposed in 1861, estimated to produce Rx. 600,000.‖ It was unpopular and difficult to enforce, and that portion of the budget scheme of 1861 was laid aside.

These additional duties therefore produced under the head of—

	Rx.
Customs	1,500,000
Stamps (say)	950,000
Salt	1,600,000
Income tax	1,750,000
	5,800,000

99. Mr. Laing, in opening the Budget of 1862–3, said:—

"The circumstances of the last Budget were remarkable. A chronic deficit, continued with scarcely an intermission for 20 years, had added 50,000,000*l.* to the National Debt of India. That deficit had been increased by the effects of the Mutiny, until in the three years from 1857 to 1860 it reached the enormous average of 12,000,000*l.*, and all the efforts of the Government, aided by the imposition of new taxes, which convulsed Indian society, had still left us, in 1860–1, with an apparently hopeless deficit of 6,000,000*l.* . . . Under these circumstances the Government of India applied itself vigorously to the further reduction of expenditure, so vigorously

* Actual gross Customs revenue (excluding import duty on salt, which is reckoned with the salt revenue):—

	Rx.		Rx.
1857–8	2,156,000	1862–3	2,464,000
1858–9	2,873,000	1863–4	2,384,000
1859–60	3,873,000	1864–5	2,296,000
1860–1	4,232,000	1865–6	2,280,000
1861–2	2,863,000		

† Actual stamp revenue:—

	Rx.
1857–8	456,000
1858–9	581,000
1859–60	737,000
1860–1	1,181,000
1861–2 (first full year of the new duties)	1,685,000
Increase over 1859–60	948,000

‡ Actual produce of salt duty:—

	Rx.
1857–8	2,143,000
1858–9	2,605,000
1859–60	2,934,000
1860–1	3,818,000
1861–2	4,560,000

§ Actual gross receipts from assessed taxes:—

	Rx.
1858–9	—
1859–60	110,000
1860–1	1,003,000
1861–2	2,161,000

‖ P.P., 1864, No. 354, p. 17, para. 98 of Despatch of 2nd May 1861.

that out of an expenditure of 29,000,000*l.* open to revision, a saving of *5,000,000*l.* was effected in a single year. . . . The growing prosperity of the country gave buoyancy to the revenue . . . and the aspect of affairs changed so suddenly that, after finding myself, in January [1861], struggling with an apparently hopeless deficit, I was able in April, to my own great surprise, and, I believe, that of everyone else, to produce a Budget in equilibrium."

In 1860–1, therefore, Indian finance had not recovered from its depression. At the close of that year all the new taxes had been imposed, but there was, nevertheless, a heavy deficit. Parliamentary Paper of 1862, No. 354, p. 7.

100. In 1861–2 the tide had turned. Heroic efforts to reduce the expenditure were successful. Equilibrium was practically† restored, and the Government escaped the necessity of levying the unpopular licence tax.

101. Thirty-seven years have elapsed since this ebb-mark in Indian fortune, but the years 1896–7 and 1897–8 were disturbed by plague and famine; we therefore stop at 1895–6. We shall endeavour to gauge approximately the normal increase of revenue during the intervening period. That time may be divided into two parts. The first period extends from 1861–2, the basis year of comparison, to 1884–5, a space of 23 years. During it India suffered from vicissitudes of famine and war, but it was in the main a period of financial prosperity, marked by economy, a generally peaceful policy, and for the greater part of the time by a comparatively steady exchange. It was in consequence happy in reduction of taxation.

The second period extends over 11 years, 1884–5 to 1895–6. It was a period of falling exchange and increased expenditure, especially military expenditure, and it was in consequence marked by increase of taxation.

(1.) *First Period.*

102. During the period between 1861–2 and 1884–5, the taxes imposed after the Mutiny, in order to restore equilibrium, were to a great extent repealed, and the burthen of taxation, therefore, at the close of the period did not greatly differ from that which prevailed before the Crown undertook direct responsibility for the Government of the Indian Empire. An exception, however, must be made in respect of two new duties imposed, not to maintain equilibrium, but to promote the objects of a new and special policy—(1) A new imposition was laid upon land under the name of "Provincial Rates." These rates were granted to aid the development of that system of Provincial finance, which we have described in a former part of our report. (2) License duties were also imposed in pursuance of a policy of provision against famine. We give shortly the several reductions of taxation as they took place.

Customs.

103. In 1861 Mr. Laing had reduced the additional duty on cotton twist and yarn, which had been imposed in 1860. The increase had been estimated to produce Rx. 67,000, it actually produced only Rx. 40,000. It was of a protective character. In 1862 he repealed the additional duty of 5 per cent. on cotton piece goods producing at that time Rx. 450,000, and some other reductions in custom duties raised the total relief to Rx. 475,000. In 1864 the remaining enhanced duties of customs were reduced from 10 to 7½ per cent., with the result that in the following year there was an actual loss of revenue amounting to Rx. 88,000. In 1867 the customs duties were revised at a cost of Rx.140,000, but, to make good this loss, the export duty on rice was raised from 2 to 3 annas a maund, producing Rx. 160,000. In 1875 a revision of the tariff took place, and the general *ad valorem* rate was reduced from 7½ to 5 per cent., Parl. Paper No. 354, of 1862, Budget Speech of 1862.

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* The aggregate of military, naval, and civil expenditure in India was actually—

	Rx.
	29,553,832 in 1860–1
	25,866,958 in 1861–2
Saving -	3,686,874

† The gross actual revenue of 1861–2 was - Rx. 45,389,000
The gross expenditure was - - - 45,772,000
Deficit - - - - 383,000

r 98597.

the figure at which it stood before the Mutiny, the customs revenue being thereby reduced by about Rx. 308,000. In July 1877 the House of Commons resolved that the import duties levied in India on cotton goods were protective in their nature, and should be repealed as soon as the condition of India would permit. In 1878 the cotton duties were slightly diminished, and some other reductions were made at a cost to the customs revenue of about Rx. 77,000.* In 1879, the cotton duties were further reduced at a cost of Rx. 200,000. In 1882 the remaining cotton duties were abolished, involving a loss of Rx. 655,000; Sir Evelyn Baring at the same time swept away the whole of the general tariff of 5 per cent. *ad valorem*, at a *net* loss, including the cotton duties, of Rx. 1,109,000, after allowing for reduction of establishments and saving on refunds. Thus in 22 years customs duties amounting to nearly $2\frac{1}{4}$ millions† had been repealed, as against about Rx. 1,600,000 imposed in consequence of the Mutiny, and the tariff of India became, as far as imports were concerned, more free than that of England herself. Before the Mutiny, India was taxed 5 per cent. on her imports. In 1882 she was free from taxation on her imports, strong liquors and salt‡ excepted. In fact, the customs revenue was derived entirely from the produce of an export duty on rice and from import duties on salt and alcohol, the last of which had been increased by 33 per cent. in this period, producing an increased revenue of Rx. 50,000.

Salt.

In 1882, Sir Evelyn Baring reduced the salt duties to 32 annas per maund. The tax as reduced was lower in Bengal than before the Mutiny, was the same as before the Mutiny in the North-West Provinces, in the Punjab, and in Oudh, but higher than before the Mutiny in Madras and Bombay.§ On the whole, the increase in Madras and Bombay overbalances the reduction in Bengal. The equalisation of the duty throughout India was, however, a necessary consequence of the removal of the internal customs barriers between province and province, a most desirable measure in itself, and it may therefore, not unfairly be said that in 1882 Sir E. Baring reduced the duty, as nearly as circumstances permitted, to the level of the duty before the Mutiny. He estimated the loss to the revenue at Rx. 1,400,000. Sir Evelyn Baring looked hopefully to the day when the salt duty might be repealed, but the day of remission had closed.

Stamps.

Various Acts were passed in this period, amending the Stamp Duty Act of 1860, and increasing the rates. They were estimated to increase the revenue from general stamp duties by about Rx. 590,000, and from judicial stamps by about Rx. 650,000, or Rx. 1,240,000 in all.

	Rx.
*Cotton goods	25,600
Railway material	11,300
Articles exempted	39,600
	76,500

‡ The import duty on salt is generally reckoned with the general salt revenue.

	Rx.
†In 1861	40,000
„ 1862	475,000
„ 1864	88,000
„ 1875	308,000
„ 1878	77,000
„ 1879	200,000
„ 1882	1,109,000
	2,297,000
Deduct net increase from changes of 1867 and from spirit duties	70,000
Net reduction	2,227,000

§

	Salt Duty.		
	1858.	1862.	1882.
	Annas per maund.	Annas per maund.	Annas per maund.
Bengal	40	52	32
Bombay	12	20	32
Madras	14	20	32
North-West Provinces	32	48	32
Punjab	32	48	32
Oudh	32	48	32

Excise.

The excise in India is levied almost entirely on spirits and narcotics, such as opium and hemp. We understand that, generally speaking, there are maximum rates, within which the Provincial Governments, subject to the assent of the Supreme Government, have a discretion; but we have found it difficult to ascertain the actual increase of the rates from time to time. The policy of the Indian Government, like that of the Imperial Government, has been to increase these rates to the highest extent compatible with successful levying of the tax. At the same time the administration has much improved, and illicit trade has been checked. The great increase of yield thereupon in the first period was due (1) to improvement of administration; (2) to increase of rates. In 1875 the import duty on spirits alone was increased by 33 per cent. We understand that a somewhat corresponding increase took place in inland duties between 1861 and 1884. On that basis increase of Excise taxation may have yielded about Rx. 700,000.* Bernard, Qq. 1723–9.

Income Tax.

In 1862† Mr. Laing relieved from income tax incomes under 500 rupees a year at a cost to gross revenue of Rx. 350,000, to net revenue of Rx. 250,000. In 1873 the income tax was abolished.

License Duties.

In 1877 and 1878‡ license duties were imposed which produced in 1883 and 1884 about Rx. 500,000 a year gross. This duty was required, not to maintain equilibrium in finance, but to provide a surplus for famine insurance.

Provincial Rates.

For many years prior to 1871, local funds existed in many parts of India, Bengal being an important exception. In Madras and Bombay cesses were levied after 1862 for certain purposes; but the bulk of these cesses were not imposed by law, but by agreement with the landholders. They were applied originally chiefly to the maintenance of roads and wells, and were subsequently extended to aid the grants for education and other purposes. In 1869 and 1871, Acts were passed in pursuance of the new Provincial policy imposing the "Provincial Rates." In consequence, the amount of cesses gradually increased.

In 1882, a local cess upon land in the North-West Provinces, producing Rx. 241,000 a year, was abolished, and the cost of certain services previously borne by the landlords in Oudh was transferred to the Imperial Government.§ The net increase of taxation involved in these measures was estimated in 1883 and 1884 at Rx. 2,772,000.

104. Comparing then the year 1861–2 with the years 1883–4 and 1884–5, we may say that, at the end of the period—

1. The general Customs duties on imports had been reduced to a point far below that at which they stood before the Mutiny. On the other hand, the duties on spirits had been raised from Rs. 3 to Rs. 4 per gallon.
2. The salt duties had been reduced to the rate at which they stood before the Mutiny, so far as was compatible with the policy which swept away inter-provincial barriers.
3. The stamp duties had been increased.
4. The income tax had been abolished.
5. License duties had been imposed to provide a famine insurance surplus.
6. "Provincial" rates had been imposed for provincial purposes, against which might be set, to a small extent, a relief from local burdens granted in the North-West Provinces and Oudh.
7. Excise rates had been raised.

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* The gross excise revenue amounted in 1857–8 to Rx. 867,000, in 1861–2 to Rx. 1,628,826, and on the average of the years 1883–4 and 1884–5 to Rx. 3,924,414—an increase within our first period of Rx. 2,295,588. Perhaps it may be assumed that one-third of this increase was due to enhanced rates, say Rx. 700,000.

† Budget speech, 1862, P.P., 354 of 1862.

‡ *See* P.P., East India, Reduction of expenditure, 352 of 1885. Sir E. Baring's Minute of 11th August 1883 page 114, and Sir D. Barbour's Memorandum, page 102.

§ Sir E. Baring's Minute of 11th August 1883, p. 92 of Sir D. Barbour's Memorandum.

The remission of taxation in the first period had, therefore, been :—

	Rx.
Customs - - - - - -	2,227,000
Salt - - - - -	1,400,000
Income tax - - - - -	1,750,000
Total - - - - -	5,377,000
Deduct increase in excise and stamp duties* -	1,940,000
Net remission - - -	3,437,000

105. In 1861–2, when the Mutiny taxation had come fully into collection, the gross revenue from all sources was rather less than Rx. 45,400,000. It was derived partly from taxation, partly from the "Commercial" services and other receipts not in the nature of taxation.

The gross revenue derived from taxes, or sources akin to taxation was considerably less. It consisted of land revenue, customs, salt, opium, excise, stamps, Provincial rates, and assessed taxes. It amounted to Rx. 39,314,000, and, after deducting refunds and assignments on the revenue and cost of collection (Rx. 5,857,000), a net tax revenue remained of Rx. 33,457,000

	Rx.	Rx.
The average net tax revenue of the years 1883–4 and 1884–5, calculated on the same basis, was - -	41.373,000	
We deduct two taxes brought into account since 1861–62, viz., the provincial rates producing on the average of the two years Rx. 2,774,000, and the license duty Rx. 490,000, also increased stamp (Rx. 1,240,000), and Excise (Rx. 700,000) duties - - - -	5,204,000	
The average net tax revenue, therefore, of 1883–4 and 1884–5, comparable with that of 1861–2, amounted to -		36,169,000
The net tax revenue of 1861–2 was - - - -	33,457,000	
But in the interval between 1861–2 and 1884–5 taxation existing in 1861–2 was remitted to the extent of Rs. 5,377,000, and we deduct that sum from the revenue of 1861–2 (as we have deducted the taxation imposed since 1861–2 from the revenue existing in 1883–4 and 1884–5) - - - -	5,377,000	
The tax revenue of 1861–2, therefore, for the purposes of our comparison amounted to - - - -		28,080,000
Elasticity of the tax revenue in 23 years - - - or rather more than 28 per cent.		8,089,000

106. Reviewing the tax revenue as a whole, we think that, apart from the Provincial rates and the license duties, imposed for a special purpose, taxation had at the close of the period been reduced to a level not very far different from that which existed before the Mutiny ; for, though the stamp duties and the duties on spirits were in 1883–4 and 1884–5 much higher than they were before the Mutiny, on the other hand customs duties were considerably less than they were before the Mutiny.

But, in order to state the case completely, some comparison should be made between the growth of revenue and the growth of population. The population statistics in 1861–2 were very imperfect, but, as far as we can learn, the population under British rule in 1861–2 was probably about 179,000,000; in 1883-4 about 204,000,000. Therefore, while the population grew at a rate of 14 per cent., the normal tax revenue grew at a rate of about 28 per cent.

(2.) *Second Period.*

107. As we have said, famine disturbed the finance of 1896–7 and 1897–8, and those years are not good standards of comparison. We stop, therefore, at 1895–6, and the period extends in consequence over 11 years.

* We have not reckoned the increase of land revenue from resettlement as increase of taxation.

108. We endeavour, in the first place, to measure approximately the normal growth of the revenue derived from taxes, and sources akin to taxation, during the period. The average net tax revenue* of the two years—

	Rx.
1883–84 and 1884–85 was - - - -	41,373,000
The net tax revenue for the year 1895–96 was - -	53,994,000
Increase during the period - - - -	12,621,000

During this period the fall in exchange and military demands greatly increased the expenditure of the Empire. The additional charge was met temporarily by reducing the sum destined for famine insurance, and the assignments to Provincial Governments for provincial administration were for a time curtailed. It was necessary also largely to increase taxation, and that increase accounts, in part, for the increase of revenue. On 1st April 1886 the income tax was reimposed, the license duty being repealed at the same time. In 1888 the duties on salt were raised nearly to the amount at which they stood before Sir Evelyn Baring's reductions of 1882. An import duty was put upon petroleum, and the Patwari cess, an impost on land, in the North-West Provinces, which had been repealed in 1882 by Sir E. Baring, was restored. In 1894 the 5 per cent. *ad valorem* duties of customs, repealed in 1882, were reimposed, cotton goods being excepted, and a further import duty was placed on petroleum. In 1895 the 5 per cent. import duty was extended to cotton goods.† Lastly, the excise and customs rates on spirits were raised, and also the excise rates on narcotics.

We reckon the financial gain from these measures as follows:—

Income Tax.

The license duty repealed in 1886 was not elastic; it produced about Rx. 473,000. The new income tax, which replaced the license duty, produced, on the average of the years 1886 and 1887, Rx. 1,330,000. In 1895–96 it rose to Rx. 1,792,000. At the date of imposition, therefore, the net gain from the income tax was Rx. 857,000, rising in 1895–96 to Rx. 1,319,000.

Salt.

The loss by the reduction of the salt duty in 1882 was estimated by Sir E. Baring at Rx. 1,400,000. The consumption of salt increased somewhat in the interval, and the gain by reimposition may be placed at Rx. 1,500,000.

Customs.

The petroleum duty when imposed was calculated to produce Rx. 65,000, and within a short time it realised Rx. 100,000. The further increase was estimated at Rx. 200,000.

Sir James Westland estimated the increase of the general customs tariff in 1894 (cotton goods excepted) at Rx. 1,350,000, and the customs duty on cotton goods, imposed the year following, at Rx. 1,000,000. The spirit duties were further raised from Rs. 4 to Rs. 6 per gallon, producing an increased revenue of about Rx. 100,000. Thus the whole increase on customs, including the petroleum duties, was calculated at Rx. 2,750,000.

Excise.

It is difficult to estimate the effect of raising the excise rates on spirits and narcotics. Between 1884–5 and 1895–6 the excise revenue increased from Rx. 3,985,000 to Rx. 5,700,000, a gain of Rx. 1,715,000, or 43 per cent. Sir C. Bernard attributed a part of this increase to prosperity, but he said (speaking in 1895) that within the last 10 years the duty on imported spirits had risen from 4 to 6 rupees a gallon, an increase of 50 per cent., and that somewhat corresponding increases had taken place in the excise duties. He mentioned that in 1883–4 600,099 gallons of spirits paid excise in Bombay city, yielding a

Q. 1720 *et seq.*

* We deduct from the gross revenue, refunds and drawbacks, assignments, cost of collection, revenue from Forests and Registration, and tributes from Native States.

† This duty was reduced to 3½ per cent. in 1896–7, but the reduction does not fall within the time of our survey.

revenue of Rx. 166,000. In 1893–4 561,000 gallons paid excise, producing Rx. 229,000. In this particular case, therefore, consumption actually fell off, and the increase of revenue was entirely due to the increase of duty. The spirit duties in all forms, customs and excise, produced over Rx. 5,000,000 in 1893–4, and, allowing for enhanced excise rates on narcotics, we should keep within safe limits if we estimate an increase of Rx. 1,000,000 as due to increase of taxation.

Land.

The Patwari cess reimposed produced Rx. 242,000 in 1895–6.

The revenue derived from increased taxation* in the second period may be summarised thus:—

	Rx.
Income tax	1,319,000
Salt	1,500,000
Customs	2,750,000
Excise	1,000,000
Patwari cess	242,000
	6,811,000
Say	6,800,000

	Rx.
We have calculated the total increase of net revenue during this period at	12,621,000
Say	12,600,000
If new taxation be deducted	6,800,000
the growth of net revenue had, therefore, been	5,800,000

or about 14 per cent.

During this period the population under British rule had increased from about 204 millions to about 230 millions, or rather over 12 per cent.

We seek to compare the produce of the tax revenue at the beginning and end of the two periods, eliminating the effect of changes in taxation. For that purpose we have deducted from the revenue as it existed at the beginning of each period the produce of duties repealed or reduced during the period, which were not, therefore, in existence at the close of the period; and we have deducted from the revenue at the close of each period the produce of taxes imposed or increased during the period, which were not, therefore, in existence at the commencement of the period. The residue in each case should enable us to compare the produce of the same duties and rates of duties at the close of the period with their produce at the commencement and to find a measure at least of the normal growth of the tax revenue during the period. The effect of changes in taxation has not been officially watched and recorded with a view to such a comparison: our results, therefore, can only be approximate, but we submit them as an indication of the progress of the tax-productiveness of the country.

This tax-productiveness appears to have advanced at an annual rate of 1·22 per cent. in the first period, and of 1·27 in the second period. During the first period a large amount of taxation was remitted. During the second period, speaking broadly, the remitted taxation was reimposed and further new taxation was added.

Summary.

109. We conclude by a review of the whole period since the Mutiny, that is to say, a comparison of the tax revenue of 1861–2 with the tax revenue of 1895–6. We estimated the net tax revenue of the year 1861–2, adjusted for the purposes of our comparison, at Rx. 28,080,000. The net tax income of 1895–6 was

* No alteration of importance was made in the stamp duties during this period.

Rx. 53,994,000. But "Provincial Rates" were added to the tax revenue in the interval, producing *net* in 1895–6 a sum of *Rx. 3,271,000 more than in 1861–2. For purposes, therefore, of comparison this item must be deducted, and the net revenue of 1895–6 reduced to Rx. 50,723,000. We have shown that a large amount of the taxation imposed after the Mutiny was remitted during the first of the periods under review, and that in the second period a great addition was made to taxation. Comparing the rates of taxation prevailing in 1861–2 and 1895–6 respectively we find that if, on the one hand, the stamp duties and the rates of excise are much higher, and if the salt duty in Madras and Bombay is more onerous in 1895, than they were respectively in 1862, on the other hand, the salt duty in Bengal is lower, the income tax is not so onerous, and Customs duties on the whole are lower in 1895–6 than they were in 1861–2. Eliminating now the effect of changes in taxation during the whole period from 1861-2 to 1895–6 we calculate that the growth of tax revenue during that period amounted to Rx. 13,890,000,† equivalent to a yearly growth of rather more than Rx. 400,000. It represents an increase on the whole period of not quite 50 per cent., or rather more than 1·5 per cent. per annum.

It must be borne in mind that, comparing like with like, in order to ascertain the normal growth of *tax revenue*, we have omitted from consideration the following heads of revenue, viz.:—1. Provincial rates imposed in development of a special policy. 2. Tributes from Native States, which are not taxation of British subjects. 3. The financial result of the "commercial" services, viz., the post office, the telegraphs, and the mint, which showed a deficit in 1862, a surplus in 1895. 4. The revenue from Forests and Registration. From these sources the State enjoyed, in 1895–6, a revenue greater than in 1861–2 by Rx. 4,614,000.‡

During the whole period under review the population had increased from 179 millions to 230 millions, or 28½ per cent.

II.—General Review of Expenditure.

110. We have next to ascertain the growth of expenditure in the two periods:—

(1.) *First Period.*

The net expenditure of the Indian Empire was—

	Rx.
In 1861–2 - - - - -	34,741,000
In 1883–4 and 1884–5 - - - -	41,788,000

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* Provincial rates:—

	Rx.
In 1895–6	3,707,005 gross
	52,675 collection
	10,525 refunds
	3,643,805
In 1861–2	372,738
Excess - -	3,271,067

† Tax income in 1861–2 (as stated in paragraph 105) Rx. 28,080,000

	Rx.	Rx.	Rx.
Tax income of 1895–6 (as stated in paragraph 108).		53,994,000	
Deduct—			
Provincial rates -	3,271,000		
Taxation imposed in 1st period.	1,940,000		
Taxation imposed in 2nd period.	6,810,000	12,021,000	41,973,000
			13,893,000

‡

			Rx.
1895–6.	Provincial rates - - -		3,644,000
	Tributes - - -		792,000
	Commercial services - -		245,000
	Forests and Registration -		936,000
			5,617,000
1861–2.	Provincial Rates - -	373,000	
	Tributes - -	830,000	
	Forests and Registration -	70,000	
		1,273,000	
	Deduct deficit on commercial services - -	270,000	
			1,003,000
			4,614,000

The expenditure on these dates was made up as follows:—

——	1861–2.	1883–4—1884–5.	Increase.	Decrease.
	Rx.	Rx.	Rx.	Rx.
*Defence and Foreign Affairs -	16,557,000	19,158,000	2,601,000	—
Civil Administration (including Works charged to Revenue).	13,088,000	18,842,000	5,754,000	—
Debt - - - -	5,096,000	3,788,000	—	1,308,000
Total - -	34,741,000	41,788,000	—	—

Net increase Rx. 7,047,000.

111. Thus, during this period, the Indian Government had, to a large extent, repealed the taxation imposed after the Mutiny, reduced the charge of the Public Debt by Rx. 1,300,000, and had increased their outlay on the internal administration of their vast Empire by more than 5¾ millions, or by 44 per cent., while the expenditure on defence and foreign affairs advanced by Rx. 2,600,000 or nearly 16 per cent.†

At the commencement of the period, exchange was so much in favour of India that no charge was incurred on remittances home. At the close of the period exchange involved a charge, according to the calculation of the Indian Government, amounting to nearly 3½ millions, included in the expenditure given in paragraph 110.

The effect of this charge is shown in the following table:—

INCREASE of NET EXPENDITURE in 1883–5 over 1861–2.

——	India.	England.	Exchange.	Total.
	Rx.	£	Rx.	Rx.
Defence and Foreign Affairs -	—1,323,000	2,593,000	1,331,000	2,601,000
Civil Charges - - -	4,564,000	1,134,000	380,000	6,078,000
Interest on Debt - - -	—2,398,000	501,000	589,000	—1,308,000
Public Works - - -	—4,502,000	3,040,000	1,138,000	—324,000
Total - - -	—3,659,000	7,268,000	3,438,000	7,047,000

This charge of Rx. 3,438,000 represents the *additional* number of rupees required to meet the home charges compared with the number that would have been required for that purpose if the exchange had bought 2*s.* for a rupee.

At the assumed ratio between gold and silver, which, in fact, so long prevailed, of 15½ to 1, the rupee is worth only 1*s.* 10⅝*d.*, not 2*s.*; but at the same time it is fair to remark that the average rate of exchange actually realised during the period between 1861–2 and 1872–3 was 1*s.* 11⅜*d.*

112. The first period was marked by two costly famines,‡ by the Afghan war, which cost Rx. 17,585,000 (net), and by the Egyptian expedition, which cost Rx. 1,360,000, making an extraordinary war expenditure of nearly Rx. 19,000,000, towards which Great Britain contributed 5,500,000*l.*, or about Rx. 6,000,000.

* This head includes Army, military works, special defences (in later years), marine, political, military railways, and pensions from military funds.

† In pursuance of two distinct lines of policy, the development of provincial finance and insurance against famine, the Indian Government had imposed two new taxes, "Provincial Rates" and the license tax, producing together about 3¼ millions.

‡ The Bengal famine in 1873–4 cost 6¾ millions of Rx.; the Madras famine in 1876–8 cost 11¼ millions (including in both cases loss of land revenue).

The period was remarkably free from little wars* and frontier expeditions.

It will be remembered that we calculated the normal growth of tax revenue during the period at rather over Rx. 8,000,000, or 28 per cent. The growth of expenditure was Rx. 7,047,000, or 20 per cent., the growth of population probably about 14 per cent.

(2.) *Second Period.*

113. The average net expenditure of the years 1883–5 was (as we have already stated) - - - - - - - - - Rx. 41,788,000

The net expenditure of the year 1895–6 was - - - - - 54,188,000

Expenditure increased largely during this period. The distribution of the increase is shown in the following table:—

——	1883–4 and 1884–5.	1895–6.	Increase.	Decrease.
	Rx.	Rx.	Rx.	Rx.
Defence and Foreign Affairs -	19,158,000	28,944,000	9,786,000	—
Civil Administration (including Public Works).	18,842,000	22,024,000	3,182,000	—
Debt - - -	3,788,000	3,220,000	—	568,000
	41,788,000	54,188,000	—	—

The whole amount shows an increase of Rx. 12,400,000 to be set against an increase from tax revenue of Rx. 12,621,000, more than half that increase being due to increased taxation.

114. The expenditure under these different heads includes not only the charge for exchange on the sterling payments, but also the additional pay given to the European soldiers, and the compensation to officers, necessitated by the fall in the sterling value of the rupee. If allowance be made for these, as well as for the exchange on remittance transactions, the following table gives a summary of the increase in the net expenditure during the second period.

INCREASE of Net Expenditure in 1895–6 over 1883–5.

——	India.	England.	Exchange.	Total.
	Rx.	£	Rx.	Rx.
Defence and Foreign Affairs -	5,747,000	—201,000	4,240,000	9,786,000
Civil charges - - -	1,637,000	238,000	1,415,000	3,290,000
Interest on debt - - -	—2,073,000	112,000	1,393,000	—568,000
Railways and irrigation -	—4,371,000	922,000	3,341,000	—108,000
Total -	940,000	1,071,000	10,389,000	12,400,000

The average rate of exchange on bills drawn by the Secretary of State in 1883–5 was 1*s.* 7·422*d.*; in 1895–6, 1*s.* 1·638*d.*

Thus, while the charges in India have increased by only Rx. 940,000 and those in England by 1,071,000*l.*, or about two millions in all (apart from exchange), the fall in exchange has added nearly 10½ millions to the net expenditure.

The period was marked by a fall in exchange, by the acquisition, with large outlay, of Upper Burma, by successive expeditions of more or less costly character, and by a general increase of civil and military expenditure. On the other hand, it did not suffer from famine.

* There was a military operation in 1875, costing Rx. 2,643, and there were two in the last year of the period, 1884–5.

Summary.

115. Reviewing now the whole period from 1861–2 to 1895–6, we find that the net expenditure of the Indian Empire was—

	Rx.
In 1861–2 - - - - -	34,741,000
In 1895–6 - - - - -	54,188,000
Total net increase -	19,447,000

The distribution of this increase between India and England, and the amount due to the charge for exchange, is shown in the following table:—

INCREASE of NET EXPENDITURE in 1895–6 over 1861–2.

—	India.	England.	Exchange.	Total.
	Rx.	£	Rx.	Rx.
Defence and Foreign Affairs -	4,424,000	2,392,000	5,571,000	12,387,000
Civil Charges - - -	6,201,000	1,372,000	1,795,000	9,368,000
Interest on Debt - -	—4,471,000	613,000	1,982,000	—1,876,000
Public Works - - -	—8,873,000	3,962,000	4,479,000	—432,000
Total - - -	—2,719,000	8,339,000	13,827,000	19,447,000

Therefore the net increase in the cost of government apart from exchange was 5,620,000

III.—CIVIL EXPENDITURE.

1.—THE NATIONAL DEBT OF INDIA.

(*a.*) *General.*

116. Financial authorities have for a long time discussed the question whether it be preferable to borrow in England or in India. A Parliamentary Committee in 1889 recognised the political and financial reasons for borrowing in India, if the money could be really obtained from Indian sources, but it recommended that, if the difference between the rates of interest in India and England were so considerable as to afford compensation for the disadvantages which attend borrowing in England, loans should be raised in England to enable the Government of India to carry out their general scheme for public works. Acting on this recommendation, and experimentally, the Secretary of State in 1885 and 1886 raised two loans (7,700,000*l.*) here for works in India. This is the only money borrowed in England for works constructed by the State in India since 1875. The other loans raised in England, one only excepted, were required in order to redeem railway liabilities payable in sterling.* The excepted loan (6,000,000*l.*) was raised in 1893–4 at home, because the Secretary of State could not at the time obtain the money needed to meet the charge of Indian services at home in the ordinary manner by the sale of bills in London. It may therefore be taken as accepted policy that the Indian Government does not borrow in England for works or current expenditure in India except under abnormal circumstances. It is, however, an important question how far the money borrowed in India is derived from Indian sources. Mr. Jacob informed us that out of Rx. 103,000,000 borrowed in India,

Qq. 7438–9.

* The loans raised in England were either for the purchase of specific railways, or for advances to railway companies, which otherwise would have raised money by issuing debentures, or for paying off an existing sterling loan in order to reduce the charge for interest.

Rx. 25,000,000 was actually held in England, that Rx. 48,000,000 was held by Europeans in India, and only Rx. 30,000,000 by Natives of India. India is truly said to be a poor country, but we must be careful how we press generalities of this kind. Although the mass of the population of India has no capital for investment, there is nevertheless a considerable amount of capital in the country; but the security of the Government of India is too good to induce Indian capitalists to invest in Government stocks, for the interest offered by the Government is lower than that which can be earned on good investments in the country. If money borrowed in India is to any extent found in England, the advantages of borrowing in India are proportionately neutralised, for investors here will only subscribe on terms which will, in their opinion, secure them from the fluctuations of exchange. The Government of India estimate that, when they demand more than Rx. 5,000,000 in a year, the Indian market will not meet the demand. In that case capital in excess of that sum must be, in one shape or other, supplied from home.

(b.) *Ordinary or Unproductive Debt as distinguished from Productive Debt charged against Public Works.*

117. The debt of India, for purposes of account, is divided at the present time into two heads, (1) ordinary or unproductive debt, (2) productive or public works debt. We deal first with the ordinary debt. The history of this debt during the last 60 years conveys an interesting lesson in finance. From 1838–9 to 1861–2 deficit was the rule and surplus the exception, for 19 years of the former were arrayed against five of the latter. The statistics of the Company leave much to be desired in precision, and the figures of the early years must be taken only as approximate. The India Office, however, consider that the Return of the Debt presented to Parliament in 1881, on the motion of Sir George Balfour, is trustworthy for purposes of comparison. It begins with the year 1857, and from 1857, therefore, we use that return. The permanent debt of India, whether raised here or in India, amounted on the 30th April 1842 to 33,577,414*l.* On the 30th April 1857, immediately before the Mutiny, it amounted to 51,327,958*l.*, an increase of 53 per cent. in 15 years. The 30th April 1862 marks the close of the Mutiny expenditure, and the permanent debt had then risen to 97,037,062*l.*, an increase in 20 years of nearly 190 per cent. Return 237 of 1881.

The State began to assist railway enterprise in 1849 by a guarantee of interest, but it did not then itself undertake the construction of railways. It defrayed the cost of irrigation works from revenue; but there was at that time no capital account of expenditure on public works, and the National Debt of India as it stood on the 30th April 1862 was, with the exception of the sum of about Rx. 5,400,000, mentioned in the next paragraph, an unproductive debt, a legacy of expenditure incurred upon military operations, and in quelling the Mutiny. A change took place when India came under the direct rule of your Majesty. The old or unproductive debt ceased to grow from the date at which the Mutiny expenditure came to an end. During the 35 years which have elapsed between 1862 and 1897, war and famine have imposed heavy burthens on the Indian taxpayer; but, in spite of war and famine, this portion of the debt, far from increasing, has actually diminished.

118. The figures constituting the debt in 1862 need a few words of explanation. The State owed, in addition to its registered or permanent debt, a sum of 12,000,000*l.* to the stockholders of the old East India Company. A fund had been created for the eventual extinction of this debt, and it was actually paid off in 1874; but the fund in 1874 did not suffice for its object by 4,579,416*l.*, and 4,579,416*l.* was in consequence then added to the permanent debt of India. A liability in respect of this debt existed, of course, in 1842, in 1857, and in 1862, but it is omitted from the yearly amounts given in Sir George Balfour's return, until the actual addition on account of it was made to the debt in 1874. We may estimate the amount of that liability for 1862 in the following manner: A sum of 2,860,000*l.* set aside in 1862, and allowed to accumulate at 4 per cent., would have amounted in 1874 to 4,579,000*l.*, and an addition, therefore, of 2,860,000*l.* to the amount of the permanent debt, 97,037,062*l.*, as recorded in Sir G. Balfour's return, would cover the liability of which we speak. On the other hand, a sum of Rx. 5,400,334 had been expended out of revenue on productive public works before the 30th April 1867, and that amount was subsequently

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added to the public works portion of the debt, as will be hereafter described, and subtracted from the ordinary debt. We have no account before us showing the years to which the expenditure in detail of this Rx. 5,400,000 should be appropriated. We know that more than Rx. 2,000,000 was spent on the Ganges and Eastern Jumna canals and Rx. 1,400,000 on canals in the Punjab, which were in operation before 1862, while sums of Rx. 107,000 on the Calcutta and South-Eastern Railway and of Rx. 660,000 on various irrigation works appear to have been laid out after that date. These figures make up Rx. 4,167,000 out of the above-named sum of Rx. 5,400,000, and, so far as they carry us, they involve a reduction of the ordinary debt on the 30th April 1862 by Rx. 3,400,000. On the other hand, that debt must be increased by the East India Stock liability of Rx. 2,860,000. If these adjustments are made, the ordinary debt on the 30th April 1862 would stand at Rx. 96,497,000, say, Rx. 96,500,000. But it is probable that a part of the sum of Rx. 5,400,000, as yet unaccounted for, was spent before the 30th April 1862; and we should probably not be much in error if we estimated the ordinary debt on the 30th April 1862, at the starting point of our comparison, at Rx. 96,000,000.

119. In 1867–8 the State adopted a new policy. It determined from that time to charge expenditure on irrigation and on the construction of railways by the State to a capital account, and in the Accounts to divide the public debt into two categories:— (1) Public works or "productive" debt, the interest of which is charged not under the head of debt, but under the railway revenue account and irrigation; and (2) Ordinary or unproductive debt. In giving effect to this policy a somewhat peculiar arrangement is adopted. India has no sinking fund established by law (some provisions of small importance excepted), and no enactment of the Indian Government appropriates surplus revenue to the reduction of debt. The State undertakes certain great public works, and has to meet in consequence large and recurring demands for money. It, therefore, devotes all spare or surplus revenue, not to the purchase of debt for the purpose of cancellation, but to capital expenditure on works for which it would otherwise have to borrow. In order, however, to show accurately the amount of this capital expenditure, it charges the revenue so expended to the "public works" portion of the debt, and deducts a similar amount from the "ordinary" debt. If, for example, in any one year Rx. 700,000 of revenue can be spared, that sum is expended on productive public works. In the accounts Rx. 700,000 are added to the "public works debt" on the one hand, and on the other hand Rx. 700,000 are deducted from the "ordinary" debt. The result is the same as it would be if the spare revenue of Rx. 700,000 had been applied directly to the purchase of "ordinary" debt for cancellation, and a sum of Rx. 700,000 had been borrowed for productive capital expenditure. Thus spare and surplus revenue is indirectly, but effectively and economically, applied to the reduction of ordinary debt, for the charge and the possible loss accruing upon the two operations are saved.

The permanent debt on the 31st March 1867, immediately before the adoption of the arrangement described above, amounted, according to the Balfour return, to 92,538,000*l.* If adjustment be made upon the principle suggested in paragraph 118 for the contingent liability existing in respect of the East India Company's stock, and also for the debt in respect of productive expenditure incurred before the 31st March 1867, a net reduction of 1,920,000*l.** would be the result, and we think that the old debt, therefore, is more exactly stated, for the purpose of our comparison, at 90,618,000*l.*

120. Between 1867 and 1897 the East India Company's stock was paid off, and 4,579,416*l.* was added to the old or ordinary debt on that account, while Rx. 5,400,334 was deducted from that debt and added to the public works portion on account of expenditure on irrigation works and on the Calcutta and South Eastern State Railway incurred before 31st March 1867. Other additions to and reductions of the ordinary debt took place during the period. The net result, as stated in the Finance Accounts of the Government of India, represented the ordinary debt, as distinguished from the Public Works debt, on the 31st March 1897 at 63,706,639*l.* This figure needs some explanation. In the amount written off from the ordinary debt is included a sum of

* The liabilities on account of the East India Stock, as calculated in paragraph 118, would have amounted on the 31st March 1867 to £3,480,000. On the other hand, the ordinary debt was reduced by the transfer of £5,400,000 from it to the Public Works Debt. The difference is £1,920,000.

Rx. 9,014,522,* provided out of the capital of various pension funds and other deposits. These deposits represent sums entrusted to, and repayable by, the Government of India; and, although they have enabled the Government to avoid an increase, to that extent, of the funded debt, that saving cannot be regarded as equivalent to a reduction of the ordinary debt. We are endeavouring to ascertain the true decrease of that debt during the period under review, and we think it, therefore, more correct for the purposes of our comparison to exclude the reduction of the ordinary debt resulting from the advances of these deposits for public works expenditure. In that case the old or ordinary debt would have stood on the 31st March 1897 at 72,721,161*l.* Debt.

121. We can now compare the figures of the ordinary debt as they stood at the three dates:

According to the Balfour Return, the ordinary permanent debt amounted on the—

	£
30th April 1862 to	97,037,062
31st March 1867 „	92,538,340
31st March 1897 „	63,706,639†

But, if allowance be made for the fact that in the last-named year Rx. 9,014,522 represented only a nominal write-off, the figure for comparison in 1897 is 72,721,161*l.*; and the true reduction of the ordinary debt is 24,315,901*l.* since 1862, and 19,817,179*l.* since 1867, being 25 and 21½ per cent. respectively.

According to the calculation which we prefer for the purposes of our comparison, the ordinary permanent debt would be taken on the—

	£
30th April 1862	at 96,000,000
31st March 1867	„ 90,617,985
31st March 1897	„ 72,721,161

The decrease since 1862, therefore, amounted to 23,279,000*l.*, say 23,000,000*l.*, a reduction of rather more than 24 per cent. The decrease since 1867 amounted to 17,896,824, a reduction of not quite 20 per cent.

The reduction might have been very much greater if famine had not intervened, and if the Government could have avoided military operations. Since March 1867 the payments for famine relief have amounted to Rx. 17,292,217, in addition to Rx. 17,809,207 devoted to famine insurance; and war has since 1877–78 cost a net sum of Rx. 22,865,965.‡

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* Money has been found in the following manner—

		Rx.
By raising unfunded and temporary debt including savings		3,735,205
Extraordinary assets, capital of various funds		8,127,352
Departmental deposits		11,305,812
Total of various liabilities		23,168,369
Less—		
Increase of cash balance	1,550,273	
Loans to public bodies	11,470,212	
Bombay Special Fund	1,333,362	
		14,153,847
Balance used on public works		Rx. 9,014,522

† The debt is stated above in sterling, but it will be remembered that a large part of it is in rupees, conventionally reckoned at 10 to the £ sterling. In 1897, however, the £ sterling approximately exchanged for 15 rupees. Therefore, the true debt in sterling would be less.

‡ The reduction of the ordinary debt was effected to a small extent by the actual discharge of debt, but mainly by deducting from the ordinary debt the amount of revenue applied to productive capital expenditure on railways and irrigation in the manner described in paragraph 119.

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The Charge of the Debt.

122. Passing now from the capital to the annual charge, we note that the rate of interest payable upon the ordinary debt has diminished in a greater ratio than the capital:—

	£	£
(1.) The charge of the permanent debt of 97,037,062*l.* (Balfour Return) existing on 30th April 1862 amounted to	4,408,620	
On the debt of 96,000,000*l.*, as calculated by us, to		4,361,500
Equivalent to an average rate of 4·543 per cent.		
We add the interest on East India Stock, payable then as part of the ordinary expenditure of India	629,970	629,970
	5,038,590	4,991,470
(2.) The charge of the permanent debt of 92,538,340*l.* (Balfour Return) existing on 31st March 1867 amounted to	4,323,811	
On the debt of 90,617,985*l.*, as calculated by us, to		4,234,000
Equivalent to an average rate of 4·672 per cent.		
We add the East India Stock Annuity	629,970	629,970
	4,953,781	4,863,970
(3.) In 1896–7 the interest payable on the whole debt was Rx. 3,753,460 in India, and 3,812,925*l.* in England, which, on the total debt of 222,998,286, gives an average rate of 3·393 per cent. On the ordinary debt as stated by the Indian Government, 63,706,639, this rate gives the charge for interest	2,161,000	
And if, as we consider right, allowance be made at the same rate for the further liability of 9,014,522, a sum of 306,000*l.* must be added, bringing the total charge to		2,467,000

The result is summarised thus:—

	On the Basis of the Indian Finance Accounts.	As adjusted by us for Purposes of Comparison.
Interest charge, 1862–3	5,039,000	4,991,000
" " 1867–8	4,954,000	4,864,000
" " 1896–7	2,161,000	2,467,000

Equivalent to a reduction since 1862 of about 50 per cent. upon our basis of comparison.

123. These calculations, however, exclude the cost of exchange. The earlier Indian accounts were stated in pounds sterling. The later accounts are stated in tens of rupees. But in 1862 and 1867, 10 rupees and the pound sterling were nearly convertible terms. The average rate of exchange actually obtained in 1861-2* on bills drawn by the Secretary of State on India realised 1*s.* 11·867*d.* for the rupee, and in 1867 1*s.* 11·064*d.* It must be recollected, moreover, that for a long period the relative valuation of gold to silver was 1 to 15½, and on that value the 165 grains of pure silver in the rupee were worth 1*s.* 10⅝*d.* At that time there was a profit rather than a loss to India on exchange, and no addition, therefore, has to be made on account of exchange to the charge of the debt in England. It is very different in 1896–7. The bills drawn in that year by the Secretary of State on India realised only on the average 1*s.* 2·451*d.* for the rupee, and it needed nearly Rx. 5 to pay 3*l.* sterling.

* *See* paragraph 67 of Sir E. Baring's minute 11th August 1883, Parliamentary Paper 352 of 1885, East India: Reduction of Expenditure.

If, therefore, the cost of exchange be added to the annual charge, the summary then will stand thus:— Debt.

	On Basis of Financial Accounts.	As adjusted by us.
	£ or Rx.	£ or Rx.
Charge of the ordinary debt, including the East India Stock Annuity, 1862 - - - - - -	5,039,000	4,991,000
Charge of the ordinary debt, including the East India Stock Annuity, 1867 - - - - -	4,954,000	4,864,000
Charge of the ordinary debt (the East India Stock Annuity having expired), 1897 - - - -	3,898,000	4,204,000

The reduction on our method of calculation amounts to nearly 16 per cent.

If the rate of exchange should continue to realise in the future 1*s.* 4*d.* for the rupee, only Rx. 1,350,000 in round figures would be required, where nearly Rx. 1,500,000 was needed in 1896–7 (a saving of 10 per cent.).

124. The return of the net income and expenditure of India, presented annually to the House of Commons on the motion of Sir Henry Fowler, states the yearly charge of the ordinary debt in a different manner. It is the result of a minute adjustment account between the "public works" debt and the "ordinary" debt. This method of adjustment, however, is somewhat complicated, and it does not enable us to compare on even terms the debt in the earlier years with the same debt in 1896–7. We think that our figures represent fairly the reduction of interest which has taken place.

125. The figures given in the last paragraph but one show the amount of interest annually payable upon the debt, but they are in excess of the annual charge to the taxpayer. The Indian Finance Department earns interest on securities which it holds, and on its cash balances in England. The sums so received may be fairly deducted from the gross interest of the debt in order to ascertain the charge of the debt to the taxpayer. The interest earned in 1862–3 was 108,262*l.*, which would reduce the charge on the taxpayers (including the dividend on East India Stock) to 4,930,328*l.* In 1861 the Currency Department of the Government of India was created, and the Government was empowered to invest in Government securities part of the cash reserve which it holds against its paper issues. The limit was at first Rx. 4,000,000, increased in 1871 to Rx. 6,000,000, in 1890 to Rx. 8,000,000, and at the end of 1896 to Rx. 10,000,000. This investment in 1867–8 produced Rx. 134,462, which was raised by other receipts to Rx. 240,960. Of late years this and other investments have produced on an average about Rx. 894,000. In all three cases the interest thus earned would proportionately reduce the burden upon the taxpayer for the year.

(*c.*) *Productive or Public Works Debt.*

126. The "Public Works" debt and the ordinary debt of India must not be measured by the same standard, for the latter is a dead weight, the former is reproductive.

127. On the 31st March 1897 the Public Debt of India amounted to 222,998,282, viz., Rx. 109,115,053 and 113,883,233*l.* sterling. From this sum of 222,998,286 the Indian Government deduct in their accounts Rx. 63,698,179, as representing the ordinary debt, leaving Rx. 159,300,107 to represent the Public Works debt, and that sum is divided into Rx. 127,402,968* for railways and Rx. 31,897,139 for irrigation works. We have stated that in the accounts a division of the debt was made with effect from April 1867, showing the amount due to the construction of railways and irrigation works, and that in a subsequent year Rx. 5,400,334 were written off from the ordinary debt and added to the Public Works debt, in order to represent

* The India Office reduce this sum by Rx. 424,207, discount involved in raising money for the purchase of two railways. We leave the figures, however, as they stand in another return of the India Office—the Statistical Abstract, 1898—in order to avoid the confusion of varying figures.

Debt. expenditure on reproductive works (irrigation) incurred before the 31st March 1867. During the 30 years between 1867 and 1897 the Public Works debt has grown steadily from—

Rx. 5,400,000 in 1867
to Rx. 61,291,000 in 1881
to Rx. 102,900,000 in 1887
to Rx. 159,300,000 in 1897

We show in a subsequent part of our report (Commercial Services) our reasons for thinking that past expenditure on railways and irrigation do not practically impose a charge upon the taxpayer.

(*d.*) *Unfunded Debt.*

128. The Indian Government has also an unfunded debt. It owes obligations inherited from the King of Oudh. It holds large deposits on account of savings banks, and the capital of various other funds, and it is subject to other forms of temporary indebtedness. On all these moneys it pays interest. On the other hand, it lends largely to municipalities and other public bodies, to cultivators, and landowners. These local loans are rather more than equal to the savings banks deposits. The balance of the moneys thus entrusted to the Government, or for which the Government is liable, has been, so far as it was available, appropriated to expenditure on reproductive works, and is included in the public works debt. Both the advances on local loans and for public works earn interest for the Government, which is nearly equivalent to the interest which the Government pays upon its unfunded obligations.

Review.

129. A Review of the History of the Public Debt of India since 1862 is satisfactory. During the interval of 35 years, large expenditure has been incurred in consequence of famine and war, yet upon the basis of comparison which we have preferred, the capital of the ordinary or unproductive debt has during that period been reduced by rather more than 24 per cent.; the annual charge for interest has been reduced by about 50 per cent., excluding exchange, and by nearly 16 per cent., including exchange; and the annual burthen on the taxpayer by 67 per cent., excluding exchange, and by 32 per cent., including exchange*. In 1897, Rx. 159,000,000 had been expended on works of irrigation and on railways, which in the near future may be expected to pay their way with little or no charge to the taxpayer. It is a question whether the time has not come when the Indian Government might specifically devote a modest part of the annual saving which it has effected in the charge of the old ordinary, or unproductive, debt to the further reduction of that debt.

A sinking fund is, in effect, a reserve fund. It is applied to the reduction of debt in ordinary times, but it constitutes also a reserve fund available to meet great emergencies without delay, and without adding to the public burthen. In the United Kingdom the "New Sinking Fund" is a reserve of this character. It was created by Sir Stafford Northcote in 1875, and it has answered well the purpose for which it was created. A fixed sum, some millions in excess of the charge of the debt, is granted by permanent Act of Parliament for the service of the debt. The difference between the actual charge of the debt and the fixed sum constitutes the New Sinking Fund. It is applied to the reduction of debt, and, as debt is paid off and the charge of the debt for interest decreases, this difference increases, and the reserve which the "New Sinking Fund" represents becomes more effective. As long as the Act creating the fund remains in force, annual provision must be made for it by law, and thus a permanent reserve, unaffected by the fluctuation of surplus or deficit, is secured and maintained.

The Indian Budget provision for famine relief and assurance is a reserve somewhat similar in nature. It is not, however, a permanent reserve, but a reserve created simply as a preservative against famine. Our suggestion means, therefore, that this provision should be increased so far as is consistent with sound finance, and made permanent like the New Sinking Fund at home. The proceeds of the fund would be employed on famine works in the first instance, and the balance would be appropriated to public works or to the reduction of ordinary debt, as the Government of India might think best.

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* From Rx. 5,000,000 to Rx. 2,800,000.

2.—Collection of Revenue.

130. The gross revenue of India is charged in the first instance with, (1) refunds and drawbacks, (2) assignments and compensations, and (3) the cost of collecting the revenue. These charges amounted, in the years 1875–6, 1884–5, and 1895–6, to the following sums :— Qq. 10,740, &c. *See* Statistical Abstract.

	1875–6.	1884–5.	1895–6.
	Rx.	Rx.	Rx.
Refunds and drawbacks -	303,000	201,000	300,000
Assignments and compensations -	903,000	1,275,000	1,555,000
Cost of collection - - -	6,673,000	8,083,000	8,496,000
	7,879,000	9,559,000	10,351,000

131. In speaking of the cost of collection, we may set aside the two first items. Refunds and drawbacks are either sums received but not legally due, or revenue rebated. They averaged over the whole period, from 1875 to 1895, Rx. 262,000 a year. Assignments and compensations are made up of payments (1) to the French and Portuguese Governments; (2) to Native States; (3) to landowners, in compensation for revenue surrendered. The larger part of the last-named item consists of rent-free grants of land revenue which have been made to individuals for services rendered to the State, or of compositions with landowners, whose estates have, from default, fallen into the hands of the Government. In these cases there is a set-off from revenue received, and the charge is in no way connected with the collection of revenue. We may, therefore, confine our attention to the last item in the summary, the cost of collection. It amounted, in 1875–6, to Rx. 6,673,000 (or, more correctly, Rx. 6,638,000), and, in 1895–6, to Rx. 8,496,000, an advance of 27 per cent.

132. We have to consider, first, whether this charge for collection is excessive in itself, as measured, for example, by the cost of collection in the United Kingdom; and, secondly, whether its increase within the 20 years is larger than might reasonably be expected with a growing population and in an extending empire.

I. The gross revenue* of India, in 1895–6, derived from taxation, or from sources which may be regarded as taxation, amounted to Rx. 66,073,000. The cost of collecting this revenue was Rx. 8,496,000, or 12·85 per cent. Certain branches of revenue, special in their character, are included in this gross amount. Opium,† a monopoly, costs the State large sums in cultivation and preparation. The gross receipt from the drug amounted, in 1895–6, to Rx. 7,124,000; the cost of production and sale amounted to Rx. 2,069,000, or 29 per cent. The receipts from forests amounted, in 1895–6, to Rx. 1,660,000, the costs of administration to Rx. 911,000, or nearly 54·9 per cent., for the forests are tended rather with a view to the future agricultural interest of the empire than to the earning of immediate revenue. Again, registration is not a branch of ordinary revenue. It produced, in 1895–6, Rx. 425,000, the collection of which involved a charge of Rx. 233,000, or nearly 55 per cent. On the other hand, tributes from Native States, Rx. 792,000, cost practically nothing to collect. Such exceptional items of receipt should be deducted before the cost of collection in India can be fairly compared with the cost of collection at home.‡ The gross revenue of India thus corrected amounted, in 1895–6, to Rx. 56,072,000, say Rx. 56,100,000, and the cost of collection to Rx. 5,283,000, or 9·4 per cent. But this figure does not include the furlough and the

* Excluding railways, irrigation, Post Office, telegraphs and departmental receipts, but including revenue actually received, though afterwards refunded in the form of refunds or assignments.

† The opium revenue and the cost of collecting it fluctuate greatly. The average gross receipts from this source, for 21 years, 1875–6 to 1895–6, amounted to Rx. 8,725,000, the average cost of collection to Rx. 2,205,000, or 25·3 per cent.

‡ Salt, perhaps, should be also excepted, because the cost of collection includes the cost of manufacture, but the whole charge of collection, including manufacture, but exclusive of pensions, is about 6 per cent. of the revenue, or less than the average charge of collecting the ordinary taxes. It is not, therefore, worth while to except this item.

Collection of Revenue.

non-effective charges of the Revenue service. It is very difficult to estimate these charges, because the estimates and accounts of India do not state pensions and furlough allowances under the different heads of service to which they belong. There are, moreover, services, probably not large in amount, performed for the Revenue Departments by other departments of the State. These unclassed charges must clearly make an appreciable addition to the cost of collection, and if only a moderate allowance be made for them, the total cost of collection would probably amount to 10 per cent. or more. The gross revenue collected by Imperial officers in the United Kingdom from Customs, Excise, Stamps, and Taxes amounted in 1897–98 to 100,136,000*l.* The issues from the Exchequer for the charges of the Customs and Inland Revenue Departments amounted to 2,745,000*l.* To this sum must be added expenditure by other departments of the State on Customs and Inland Revenue service, including the Coastguard, which amounted to about 900,000*l.** The total cost of collection is, therefore, about 3,650,000*l.*, or 3·65 per cent.

Finance Accounts, 1897–8.

Revenue Department Estimates, 1897–8.

Note.

133. The contrast is striking, and invites closer examination. In the first place, it must be anticipated that a revenue raised over a continent and from a numerous and not wealthy people, will be expensive in collection. In the next place, the larger part of the revenue which we have made the subject of comparison is derived from land, and we are not surprised to find that the charge of collecting small sums, due by a great number of persons, is heavy. The gross sum collected under the head of Land Revenue in 1895–96 amounted to Rx. 26,201,000, but it includes a capitation tax (or house tax in lieu thereof) levied mainly in Burma (Rx. 941,000) which should be reckoned among ordinary taxes, the land revenue would then be reduced to about Rx. 25,260,000. The "provincial rates" also derived from land should be added, amounting to Rx. 3,707,000. The total land revenue is, therefore, in round figures Rx. 29,000,000, or more than half the total revenue Rx. 56,100,000 upon which we are basing our comparison. The charge of collecting the land revenue and the provincial rates in that year is stated at Rx. 4,150,000; if Rx. 26,000, the commission on the capitation tax in Burma is deducted, the actual charge of collecting land revenue and provincial rates is about Rx. 4,124,000 or 14 per cent., and if an addition is made for non-effective service and services rendered by other departments, the charge will probably not be much less than 15 per cent. It is evident, therefore, that it is the cost of collecting the land revenue, which makes the percentage of collection to which we have called attention, so heavy. We pursue this subject somewhat further. Mr. Jacob analysed for us the charges on the land revenue in 1893–4. Apart from the provincial rates, they were classified in that year under the following heads:—

	Rx.
1. Charges of district administration - - -	1,837,000
2. Charges of survey and settlement - - - -	568,000
3. Land records and agriculture - - - -	945,000
4. Charges of collection - - - - -	672,000
	4,022,000

Mr. Jacob considered that this sum did not correctly represent the cost of collecting the land revenue. He did not think the amount now deducted from the charges of district administration for salaries under the head of Law and Justice sufficient, and he would make a further deduction on that account of Rx. 512,000 from the charges of district administration. He would deduct also Rx. 256,000, the cost of the district Treasury establishments, and Rx. 157,000 under other heads. These deductions would reduce the charge of Rx. 4,022,000, by Rx. 925,000, making the net charge of collection in 1893–4, Rx. 3,097,000.† These deductions would reduce the charge

* This sum is made up as follows:—380,000*l.* incurred by other departments, 40,000*l.* represents the service rendered to the Inland Revenue by the Irish Constabulary, *see* Report on Irish Financial Relations, and approximately 500,000*l.* spent by the Admiralty on the Coastguard. These two last services are not included in the note attached to the Revenue Department estimates.

† Mr. Jacob would also deduct Rx. 962,565 (in 1895–6 Rx.1,022,015) local charges of expenditure because special rates are collected against them, but as we are classing these provincial rates with the land revenue, we do not think that that deduction is admissible (*see* pages 13 and 19 of the Finance Accounts)

of collecting the land revenue to about 12 per cent. (*see* below).* Mr. Jacob pointed out also that the measures introduced to keep the land records up to date (item 3 of the foregoing summary) are expected to materially reduce the cost of future settlements. A part of the charge under that item, therefore, should be debited to agriculture, but with the means at his disposal here he could not estimate the sum. We have said enough to show on his high authority that the real charge of collecting the land revenue is considerably less than the charge which appears on the face of the accounts; but the fact remains that the charge must, from the nature of the revenue, always be high as compared with the charge of collecting other branches of taxation revenue. Collection of Revenue.

The tax revenue (excluding revenue from opium, forests, registration, and tributes) in 1895–6 remaining after the deduction of the land revenue and provincial rates, amounted to Rx. 26,164,000, and the cost of collection appears upon the accounts as Rx. 1,134,000, or 4·33 per cent. Additional charges which should be debited to this revenue are brought to account under the collection of land revenue, and allowance is made for these, we understand, in the deductions from the land revenue charge which Mr. Jacob suggested. These sums, which we have no means of estimating, must be added to the sum of 1,134,000 Rx., as also an allowance for non-effective service and services performed by other departments. The true charge of collecting the Customs, Excise, Stamps, Assessed Taxes, and Salt Duty may then possibly amount to 5 or 5½ per cent. upon the Revenue collected. A more accurate estimate may be made for the Customs and Salt Duty, since we learn from Mr. Jacob, no part of the cost of collecting them falls upon the land revenue. The Customs, before the recent increase of duties, produced (in 1891–2) Rx. 1,701,000, and the cost of collection was about Rx. 136,000, or 8 per cent. In 1895–6 the produce was Rx. 5,017,000, the cost of collection Rx. 203,000, or 4 per cent. In both years an addition must be made for non-effective and other services. The Salt Duty produced in 1895–6, Rx. 8,862,000, the cost of collection was Rx. 521,000, or 5·88 per cent. In this case also an addition must be made for non-effective and other services, but in neither case, probably, would that addition greatly increase the percentage.

134. We have now shown (1) that the real charge of collection tested in its relation to the revenue collected, is not so great as the figures given in the accounts would indicate; (2) that the percentage is greatest in the case of the land revenue, but that considerable deductions must be made from that charge as shown in the accounts, in order to arrive approximately at a correct computation of the charge; and (3) that the cost of collecting taxes, properly so-called, in India is not much greater than in the United Kingdom. It may not even be relatively greater, if consideration be given to the conditions in which the two countries differ.

135. We have next to consider whether the increase in the cost of collection is larger than might reasonably be expected in a growing population and in an extending empire.

136. The gross revenue from land, forests, opium, tributes and taxation amounted in 1861–2 to Rx. 40,283,000; the charges† of collection to Rx. 4,826,000 or nearly 12 per cent. In 1875–6 the revenue from the same sources amounted to Rx. 47,885,000, and the charges to Rx. 6,673,000 or nearly 14 per cent. In 1895–6, the revenue amounted to Rx. 66,073,000, and the charges to Rx. 8,496,000 or nearly 13 per cent.

So far, the comparison shows upon the gross figures an increase in the percentage of collection in the first period. We do not, however, lay much stress upon a

	Rx.		Rx.
* Land Revenue, 1893–4	25,589,000	Charge of collecting land revenue and provincial rates	4,076,000
Deduct capitation tax	393,000	Deduct collection of capitation tax	25,000
	25,196,000		4,051,000
Add provincial rates	3,515,000	Deduct as Mr. Jacob suggests	925,000
	28,711,000		3,126,000
			About 11 per cent.
		Land—non-effective charges, say	1·0
		In round figures	12·0 per cent.

† An addition has to be made in each case for non-effective service and revenue service rendered by other departments of the State.

Collection of Revenue.

comparison of the figures of 1861–2 with the figures of the later years, since changes took place during the earlier years in the method of stating the charges, which, to a great extent, weaken the value of the comparison. We should anticipate that improved means of communication, greater experience, and greater skill, would promote economy in administration; and the figures from 1875 to 1896 tend in that direction. We shall now confine ourselves to an examination of the period between 1875–6 and 1895–6, when the figures are, we believe, fairly trustworthy for purposes of comparison. The increase of revenue under the principal heads during that period of 20 years amounted to Rx. 18,188,000 or over 38 per cent. The increase in the cost of collection amounted to Rx. 1,823,000 or about 27·3 per cent. These, however, are the gross figures, and distinction must be drawn, and deductions made, as in the first part of this section, before we can estimate justly the cost of collection at the two periods.

137. The land revenue and the provincial rates* produced in 1875–6 Rx. 23,488,000, in 1895–6 Rx. 29,908,000, showing an increase of Rx. 6,420,000. The cost of collecting them, as stated in the accounts, amounted in 1875–6 to Rx. 3,004,000, in 1895–6 to Rx. 4,150,000, showing an increase of Rx. 1,146,000, the revenue increasing by 27·3 per cent., the cost of collection by 38·1, and the increase on collection would be somewhat larger if allowance were made for non-effective and other services. The cost of collection, therefore, increased, on the face of the figures, in a much greater ratio than the revenue; but it is urged that the costs of collection charged against the land revenue include charges for services unconnected with collection, and that a considerable deduction should be made from them on that account. To that extent the ratio of increase in the cost of collection would be reduced.

138. We consider next the increase in the charges of collection of taxation, properly so called, between 1875 and 1895. We exclude now, as on the previous occasion, opium, forests, and registration. The produce of salt, excise, stamps, customs, and assessed taxes increased in the period under review by Rx. 11,850,000,† the charges of collection by Rx. 240,000‡; that is to say, the increased revenue was collected at a charge of 2·02 per cent. An addition must be made for non-effective and other services; nor must it be forgotten that some of the cost of collecting these taxes is brought to account under the charges of collecting the land revenue. The accounts do not, as we have already pointed out, enable us to estimate the amount of these additions, but a liberal allowance for them would still leave a favourable result. We come, therefore, to the conclusion on the second point that the increase in the charge of collecting taxes properly so called is not so large as might have been expected.

3.—The Cost of the Civil Administration in India.

139. Under the head of the "Civil Departments" the State provides for its expenditure in conducting the civil government of the country, in administering justice, in maintaining order, and in discharging other duties undertaken for the benefit of the people.

The cost of civil government depends to a certain extent upon the numbers to be governed, and we must expect an increase under this head of expenditure to follow the natural increase of population, or the addition of new territories to the empire. It is desirable, therefore, in the first instance, to compare the progress of civil expenditure with the progress of the population.

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* *Revenue.*

Land	Rx. 21,540,480	1875–6.
Rates	1,947,255	„
	Rx. 23,487,735	„
Land	Rx. 26,200,955	1895–6.
Rates	3,707,005	„
	Rx. 29,907,960	„

Collection.

Land	Rx. 2,951,355	1875–6.
Rates	52,735	„
	Rx. 3,004,090	„
Land	Rx. 4,097,117	1895–6.
Rates	52,675	„
	Rx. 4,149,792	„

† Produce of Taxes:—

1875–6	Rx. 14,314,000
1895–6	26,164,000
Increase	Rx. 11,850,000

‡ Collection charges:—

1875–6	Rx. 894,000
1895–6	1,134,000
Increase	Rx. 240,000

"The territorial extension of the empire during the last 40 years," wrote Sir John Strachey in 1881, "has been enormous. Five great provinces have been added with "an area almost equal to that of France and the German Empire, with a population "of 40 millions." Civil Departments.

140. Before the Mutiny, and indeed up to the Census of 1871–2, the data upon which statisticians could calculate the numbers of the people were imperfect, and no fair comparison can be made between the estimates then made, and the more trustworthy results of recent censuses. The Census of 1871–2, however, suffices for a starting point, because the authorities of the India Office inform us that we cannot rely, for purposes of comparison, upon the figures showing the expenditure of the various departments for years earlier than 1875–6. *See also* paragraphs 106 and 105.

The census taken in the different provinces between 1868 and 1872 states that at that time an area of 880,000 square miles and a population of 185,508,000 persons were under the direct administration of the British Government. We doubt, however, whether the figures of the first census of the Indian Empire are altogether trustworthy.

141. The Census of February 1881 calculated the area directly under the British Government at 868,314 square miles, and the population at 198,861,000. The Census of 1891 gives the area of British India at 965,000 square miles, and the population at 221,173,000. In the interval, however, between 1881 and 1891, Upper Burma had been annexed, containing an area of 83,000 square miles, and a population of 2,947,000 persons. If, in order to obtain an idea of the normal growth of the population Upper Burma be omitted, the British area in 1891 was 882,000, and the population 218,226,000, say 218,000,000. The rate of normal increase, therefore, approaches for the ten years 1 per cent. per annum. At that rate of increase the population of British India in 1895–6 rose to 231,000,000.

142. We are about to give the civil expenditure for the years 1875–6, 1883–4, 1895–6, and we estimate on the data given above the population of British India for those years as follows:—

1875–6, 190,000,000.
1883–4, 203,000,000, an increase of about 7 per cent. in eight years.
1895–6, 231,000,000, an increase of about 13 per cent. in 12 years.

The net expenditure (that is, the net expenditure after deducting departmental receipts) in Civil Departments, as classified in the budget and accounts in India, is divided into the following heads:—

Net Expenditure.	1875–6.	1883–4.	1895–6.
	Rx.	Rx.	Rx.
General administration	1,464,000	1,653,000	2,023,000
Law, Justice, and Jails	2,509,000	2,665,000	3,357,000
Police	2,239,000	2,449,000	3,623,000
Marine	366,000	442,000	574,000
Education	874,000	980,000	1,317,000
Ecclesiastical	162,000	159,000	192,000
Medical	637,000	663,000	947,000
Political	432,000	539,000	1,062,000
Scientific and minor Departments	354,000	384,000	393,000
	9,037,000	9,934,000	13,488,000

The cost of exchange included in this account was, comparatively, inconsiderable in 1875–6 (Rx. 48,000). It amounted in 1883–4 to Rx. 111,000, and (including compensation to officers) in 1895–6 to Rx. 861,000.

The rise in expenditure between 1875–6 and 1883–4 was Rx. 897,000, or 9·9 per cent., a rate somewhat, but not very greatly, in excess of that at which the population was increasing.

The rise between 1883–4 and 1895–6 was Rx. 3,554,000, an increase of nearly 36 per cent., the increase in the population being about 13 per cent.

The increase over the whole period of 20 years was Rx. 4,451,000, or nearly 50 per cent., the increase in population being 20 per cent.

143. The cost of Civil Government increased, therefore, in the first period at a rate slightly in excess of the rate at which the population increased. In the second

period it increased at a rate more than double that of the population. In the second period, 1883–4 to 1895–6, a large part of the increase is due to the charges of administration in Upper Burma, amounting in 1895–6 to Rx. 809,000.* If the charge of administration in Upper Burma, and the increased charge of exchange (Rx. 749,915) be deducted, the real increase of charge on the whole period of 20 years is Rx. 2,829,000 or 31 per cent.

The increase upon the Civil Departments of India over the whole period from 1875–6 to 1895–6 is thus distributed under the different heads:—

—	Amount.
	Rx.
General Administration	559,000
Law, Justice, and Jails	848,000
Police	1,384,000
Marine	208,000
Education	443,000
Ecclesiastical	30,000
Medical	310,000
Political	630,000
Scientific and minor Departments	39,000
	4,451,000 or nearly 50 per cent. (including Upper Burma.)

The increase is large, and deserves investigation.

(a.) *General Administration.*

Q. 9146. &c. 144. This head provides the pay of the chief officers of Government. It may be divided into the following heads:—

—	1875–6.	1895–6.
	Rx.	Rx.
1. Salaries of the Governor-General, of Governors, Lieutenant-Governors, Chief Commissioners, Staff, Household, and Durbar charges	193,000	202,000
2. Executive and Legislative Councils	93,000	92,000
3. Secretariats	392,000	517,000
4. Revenue Boards, Commissioners, and Inspectors-General	288,000	385,000
5. Account and Audit Offices	163,000	238,000
6. Paper Currency Department, and Allowances to Banks for Management of Debt	76,000	61,000
7. Local Funds Establishment	—	99,000
	1,205,000	1,594,000
8. Secretary of State's Office, &c., in England	£233,000	244,000
9. Cost of Exchange	26,000	185,000†
	1,464,000	2,023,000
Increase over 1875–6	559,000	

It will be seen that in 1895–6 the "exchange" and the establishment of local funds, a new service, account for Rx. 335,000 of the increase, to which may be added Q. 9252. Rx. 25,000 for Inspectors-General provided under other heads in 1875–6. Mr. Jacob reckoned the increase in the chapter of general administration due to the acquisition of Upper Burma at Rx. 65,000. The increase in the Civil Secretariats is very large. Q. 9168. It rose from Rx. 255,000 in 1875–6 to Rx. 386,000 in 1895–6, or by about Rx. 131,000. It is due in part (Rx. 20,000) to Burma, but in the main to increase of staff. Four deputy and assistant secretaries have been created in the Secretariats of the Govern-

* The police and the charges for law and justice account for nearly Rx. 666,000 of this amount. It may be noted that the expenditure on Upper Burma, including works for all kinds, and extra army charges in the years between 1886–7 and 1896–7 (the last year is partly estimated) exceeded the revenue by no less a sum than Rx. 14,800,000.

† Besides Rx. 77,000 for exchange compensation included above.

ment of India alone, besides additions of other officers in the provincial Secretariats. There does not appear to have been an increase in the rates of pay. But, though the rise in charge is large, it is not excessive if compared with the increase of population. If we eliminate new services and services provided under other chapters of the Budget in 1875–6, we find that the net increase is about 9 per cent., while the increase in population has been probably about 20 per cent. We offer this only as a rough criterion by which to test the growth of expenditure, for we do not allow that public offices should grow *pari passu* with population. Some increase, however, must be expected in a growing community, and we are not prepared to say that the cost of general administration in India is excessive in 1895 as compared with 1875, nor are we prepared to say that the growth is excessive as compared with other countries.*

(b.) *Law and Justice, Jails, and Police.*

145. Mr. Jacob prepared for us a statement of the cost of Law and Justice, and Police, in 1861–2 and 1875–6. He did not, however, think that reliance could be placed on the earlier year for purposes of comparison.† We compare his figures with those of 1895–6. They represent gross expenditure in India:— App. No. 14, Vol. II, p. 184. Qq. 4199, &c.

—	1861–2.	1875–6.	1895–6.
	Rx.	Rx.	Rx.
Law and Justice	1,832,000	2,275,000	3,087,000
Jails		826,000	957,000
Police	2,163,000	2,473,000	4,039,000

In 1875, a considerable amount of expenditure now properly charged to "Law and Justice," was brought to account under the head of 'Land Revenue," and the real cost of Law and Justice in that year is, therefore, understated. The increase since 1875–6 (apart from exchange compensation) is 30 per cent. It is without doubt a large amount; but we feel assured that no one will criticise reasonable expenditure in improving the administration of justice. We have at the outset to call attention to a fact which distinguishes the chapter of "Law and Justice" from other chapters of the Indian Budget. The increased grants for this service have been provided without imposing any burthen on the *general* taxpayer, for the receipts from court fees and court charges have increased faster than the increase of expenditure, and the law courts in India are practically self-supporting. The gross cost of the courts, criminal and civil, in 1875–6, apart from non-effective charges, rents, and some incidental expenditure, amounted to Rx. 2,274,000. The cash receipts in the courts were Rx. 296,000, and the court fees levied by stamps were Rx. 1,975,000, making a total sum of Rx. 2,271,000. Therefore, the receipts practically balanced the expenditure provided under the chapter of Law and Justice, so that non-effective service, rents, and other expenses,‡ not included in that chapter, constituted the sole charge on the taxes, not exceeding, probably, a sum of Rx. 500,000. In 1895–6 the gross charge of the civil and criminal courts was Rx. 3,088,000. The cash receipts were Rx. 377,000, and the fee stamps Rx. 3,224,000, making a total of Rx. 3,601,000. Thus the receipts covered the whole charge of the chapter of Law and Justice, and left a surplus of Rx. 513,000 to be set against the non-effective and other charges not included in the chapter. If a liberal allowance be made for those charges, the balance to be defrayed from taxation would not exceed Rx. 200,000 to Rx. 300,000. As the court fees have been increasing in faster ratio than the expenditure, it seems probable that at the present rates of increase the receipts will ere long balance the whole expenditure on the service. We are now reporting financial facts. There may be a difference of opinion whether the policy of making the courts self-supporting is the best for the people of India. That point is not within our order of reference, but at a time of pressure, and of Q. 4567. Q. 4621.

* The cost of currency notes and of the management of the public debt accounts, to a great extent, for the increase of charge in England.

† Some charges shown in the account for 1875–6 do not occur in that for 1861–2.

‡ Mr. Jacob informed us (Q. 4567) that there are still salaries (charged, we understand, on land revenues), which represent in part legal services. A strict apportionment, therefore, would add somewhat to the chapter of Law and Justice.

Law and Justice.

increase of taxation, the result from the point of view of the budget is satisfactory, and may be accepted as a proof of careful financial administration. The Act regulating court fees was passed in 1870, and we learned from Mr. Jacob that it has not been substantially modified in the intervening period; we can, therefore, fairly gauge the growth of revenue since 1875, and form some estimate of its progress in the future.

146. We may mention here that the Indian Government made an elaborate inquiry in 1885 into the cost of the administration of *civil* justice. They found that the cash receipts from *civil* procedure amounted to Rx. 43,100, and that the fee stamps in *civil* cases amounted to Rx. 1,974,500, making a total receipt of Rx. 2,017,600. On the other side of the account they charged the salaries of all persons employed exclusively in the administration of civil justice, and a proportion of the salaries of those only partly so employed; they calculated also the pension and leave allowances, and the charge of rent and stationery attaching to the administration of civil justice. They then arrived at a total expenditure of Rx. 2,142,700, leaving only a net charge of Rx. 125,000 in respect of civil justice.

Confining, now, our attention to the actual increase of expenditure, we find that, excluding the court fee stamps, the net charge of *Law and Justice (apart from jails) was, in 1875–6, Rx. 1,954,000; in 1895–6 (including exchange compensation), Rx. 2,709,000; increase Rx. 755,000—about 39 per cent., or, if allowance be made for charges in Upper Burma and other charges not defrayed from this head in 1875–6, somewhat in excess of 30 per cent. The cost of Law and Justice in Upper Burma and (a small sum) at Quetta was, in the later year somewhat in excess of Rx. 100,000. There does not appear to have been any increase in rates of salary since 1875–6, certainly not in the higher classes, except in so far as the compensation for exchange, granted in 1893–4, is concerned.

147. The chief causes of increase in the criminal courts are an increase of pay to the native deputy collectors; a large increase in the number of deputy collectors in the lowest class; and (in 1884–5) a general improvement of the pay and position of this class of officer. An increase has also taken place in the class of Government pleaders. The service was inefficient, and measures were adopted to make it more efficient. The total increase on the criminal side in the 20 years has been about Rx. 205,000. On the civil side the increase, about Rx. 414,000, is due in part to an increase in the number of subordinate courts presided over by native judges, but chiefly to additional expenditure consequent on the separation of judicial and executive functions in the higher classes of judicial officers. No such separation has taken place in the magisterial ranks, and Mr. Jacob informed us that he anticipated a considerable increase in expenditure if a change should be made in that direction.

App. No. 16, Vol. II., p. 185.

There are 3,969 judicial officers in India, of whom 1,021 are European, and 2,948 are natives of India, the Europeans preponderating in the higher ranks.

Jails. Qq. 4688, &c.

148. The net charge for jails, deducting receipts, was in 1875–6 Rx. 555,000; in 1895–6 (including exchange compensation) Rx. 644,000; showing an increase of Rx. 89,000, or 16 per cent.

The number of prisoners does not increase; and the increase of charge is attributed to improved administration of the central prisons and to increased cost of rations.

We must deduct the net cost of jails in Upper Burma in 1895–6, Rx. 30,000. This would reduce somewhat the percentage of increase.

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* Expenditure in 1875–6 and 1893–4 on civil and sessions courts (excluding Upper Burma), (Q. 4252–72) :—

	1875–6.	1893–4.
Civil Courts:—		
Superior courts	253,451	326,331†
Subordinate courts	224,493	331,599†
Establishments	212,613	304,453
Contingencies	34,033	85,747
Witnesses	6,175	14,195
Process service	167,370	250,284
	898,135	1,312,609
Increase	414,474	

† Increase mainly due to separation of judicial and executive functions.

Criminal courts:—		
Superior courts	354,232	342,955
Subordinate courts	108,988	213,037‡
Small cause courts	51,602	43,205
Establishments	221,494	224,708
Allowances	35,871	48,531
Witnesses	9,234	35,018
Process servers	22,171	31,854
Other charges	70,691	65,578
	874,283	1,004,886
Upper Burma		74,308
		1,079,194

‡ Increase due to improvement in pay of lower classes of native magistrates.—(Jacob.)

149. The net cost of the police in 1875–6 was Rx. 2,239,000; and in 1895–6 Rx. 3,623,000; increase Rx. 1,384,000, or 62 per cent. The net charge for police in Upper Burma in 1895–6 was about Rx. 574,000. The net increase, therefore, for the whole of India, deducting the Upper Burma police — a charge not existing in 1875–6—was Rx. 810,000, reducing the percentage to 36. Police.

The increase is due partly to increase of pay in parts of India, it being found necessary to obtain a better stamp of officer in order to prevent abuse and extortion. A military or special police* receiving higher rates of pay has also been established in parts of India to put down dacoity. In Lower Burma, for instance, the special police costs Rx. 86,000, and in Assam Rx. 88,000.

The net charge should be less than the figure which we have given, because receipts† amounting to Rx. 70,000 or 80,000, attributable properly to the police are brought to account of revenue under the heads of "provincial rates and "land revenue." Again, some municipalities undertake by special arrangement certain Government charges, instead of making a contribution towards their municipal police. Mr. Jacob thought that about half of the increase on the service was due to increase of pay, half to increase of force. He anticipated a gradual increase in improving the character of the force, which might for a time be balanced by reductions in the military police. Qq. 7662–3.

The total number of the district police force in 1876–7 was 110,339, in 1895–6 123,628, showing an increase of 13,289, of whom 6,542 were employed in Upper Burma, leaving 6,747 as the increase in the rest of India. There were 973 officers of the highest classes, district superintendents, assistant district superintendents, and inspectors of the first and second grades, and of these 571 were Europeans. The lower grades are filled by natives of India.

(c.) *Education.*

150. A sum of only Rx. 434,000 was appropriated in 1861–2 to Education, Science, and Art, a heading more comprehensive than the present heading of education alone, and comprising services for which provision is now made under "Scientific and Minor Departments." Qq. 9869, &c.

The net expenditure on education, after deduction of departmental fees and other receipts,‡ was, in 1875–6 Rx. 874,000, in 1895–6 Rx. 1,317,000; the increase Rx. 443,000 or 51 per cent.; about 13 per cent. of the gross expenditure is covered by fees levied in Government schools. Two-thirds of the gross Government expenditure is appropriated, (1) to the maintenance of Government schools, and (2) as grants in aid to other schools. Direction and inspection, technical and training schools, and government colleges, make up the balance. Municipal funds contribute, in addition, a certain sum to schools within the municipalities. This contribution amounted in 1893–4 to Rx. 235,000. Thus the whole expenditure on education from public funds State or Municipal, amounted to about Rx. 1,700,000, subject to a deduction of Rx. 220,000 received in respect of school fees paid and other receipts.

It cannot be said that Rx. 1,500,000 is a lavish or excessive grant from public funds for the education of 230 millions of people. It is, indeed, probable that the Government, apart from financial exigencies, would be glad to devote considerably larger sums to this important object. At all events steady growth of expenditure upon the service must be expected.

(d.) *Ecclesiastical.*

151. The charge of the Ecclesiastical Department amounted in 1875–6 to Rx. 162,000, and in 1895–6 to Rx. 192,000, showing an increase of Rx. 30,000 or about 18 per cent. About two-thirds of this increase is due to the exchange compensation allowance, which chaplains in common with other European servants of the Government receive; salaries are paid to three bishops of the Church of England, and there are other bishops paid as chaplains. About 150 chaplains receive from Rx. 600 to Rx. 900 a year each. These chaplains minister to the British forces in the districts where they are stationed. Allowances are made to certain clergy of the Roman Catholic church, and there is a grant of Rx. 10,000 for Presbyterian ministers in the chief cities. Qq. 9,997 &c.

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* The military levies in Beluchistan are charged under the head of political services.

† North-West Provinces - - - 26,000
Bombay - - - - 50,000

‡ Receipts, 1875–6, Rx. 147,000; 1895–6. Rx. 220,000.

Allowances to Presbyterian ministers and Roman Catholic priests attached to particular regiments are provided in the Army budget. We think that all chaplains employed on military service should be paid from the Army grants.

(*e.*) *Political.*

Qq. 10,127, &c.

152. The Political Department is a service under the Foreign Department of the Government of India. It comprises the political residents and agents, with their assistants, at the Native courts. It provides for political subsidies of the Amir and other potentates, for payments to frontier tribes, and for the maintenance of order in Beluchistan, and on the North-west and Burma frontiers. It provides also for the charges of foreign missions. Payments are also made under this chapter in England for the Indian share of the Persian mission, of the China and other Consular establishments, for a subsidy to the Euphrates-Tigris Navigation Company, and for other charges. The expenditure on this service has risen from Rx. 432,000 in 1875–6 to Rx. 1,062,000 in 1895–6, an increase of Rx. 630,000, or 146 per cent. In 1875–6 exchange cost only Rx. 1679; in 1895–6, Rx. 69,178. The chief causes of increase have been the subsidy to the Amir Rx. 180,000, other subsidies Rx. 50,000. Political agents, chiefly in Beluchistan, Rx. 130,000. Frontier levies, and maintenance of communications in Beluchistan, Rx. 80,000. Payments to tribes, Rx. 40,000. Refugees and State prisoners, Rx. 70,000. It will be seen that the increase arises largely on the North-west frontier and in Afghanistan. The chapter, in fact, provides for foreign affairs, and does not form part of that expenditure which provides for the internal administration of the State. We include it hereafter under the head of "Defence and Foreign Affairs."

(*f.*) *Medical.*

Qq. 10,062, &c.

153. The net expenditure of the Medical Department in 1875–6 was Rx. 637,000, in 1895–6 Rx. 947,000, increase of Rx. 310,000.

The Government maintains medical officers to attend on its own servants. The Medical Department is largely employed on sanitary duties. The doctors have charge of hospitals and dispensaries, which are open to natives. The hospitals, including municipal establishments, treated in 1875–6 five millions of in and out patients, in 1895–6 over nineteen millions, and a large part of the increased expenditure is due to extended hospital accommodation. The increase which has taken place in the vaccination charge is for the service of natives. There are medical schools and colleges for the education of medical assistants, and the greater part of the students are natives. The medical staff costs about Rx. 300,000 a year; they receive salaries ranging from Rx. 700 to Rx. 1,600 a year. The medical men in civil employ may be called upon to resume military duty; they form, in fact, a reserve for the army. A military medical officer is occasionally placed in charge of a civil station with an additional allowance of Rx. 120 or Rx. 130 a year. The charges incurred in England are mainly for the care of lunatics.

The gross charge of the Medical chapter in 1895–6 was thus divided:—

	Rx.
Medical establishment	322,000
Vaccination and sanitary charges	192,000
Medical schools and colleges	83,000
Hospitals and dispensaries	353,000
Lunatic asylums	50,000
Grants for medical purposes	5,000
Other charges	15,000
	1,020,000
England and Exchange	11,000
	1,031,000

(*g.*) *Scientific and Minor Departments.*

Qq. 10,168, &c.

154. The net expenditure of the Scientific and Minor Departments rose from Rx. 354,000 in 1875-6 to Rx. 393,000 in 1895–6, an increase of Rx. 39,000. These Departments are numerous. They include the Survey and the Geological survey of India (both of which have, in consequence of reorganisation, been much reduced);

the Archæological department; the charge of special astronomical observations; and donations to scientific societies. The Agricultural department includes model farms, agricultural experiments, and cinchona plantations. Under "labour and emigration" are charged costs connected with emigration to British Colonies, and inland labour transport. This chapter provides also for the Statistical departments, including, periodically, the cost of the Census. The Meteorological department shows a considerable increase. The Famine Commission of 1880 bore satisfactory testimony to the value of its work.

(*h.*) *Marine.*

155. The Marine Department is included in the accounts of India under the head of Civil Departments; but this chapter of the Budget, including as it does Naval charges, although it comprises some services of a civil character under the Provincial Governments, is more properly a part of the provision for National defence, and should be considered with the Army Budget. The charges of a civil character are subsidies to lines of river communication, and lighthouse and pilotage charges, but the two latter heads of expenditure are covered by receipts. We desire in this section of our Report to show clearly the progress of the expenditure on the civil and internal administration of the country, and we, therefore, do not further consider here the charge of the Marine Department. Qq. 9804, &c.

Summary of Charge for Civil Administration.

156. We are now in a position to summarise the progress of the expenditure of India on its civil government during the period of twenty-one years ending the 31st March 1896. We have followed in our analysis of that expenditure the lines of the Indian finance accounts, and, of the Returns founded thereon, in order to facilitate a comparison of our figures with those published by the Government; but we have now several modifications to make, in order to give a true view of the progress of those services which represent the internal administration of the Indian Empire.

We have stated the net expenditure of the services classified in the Budget as Civil Departments at Rx. 9,037,000 in 1875–6, and at Rx. 13,488,000 in 1895-6. But in this classification the Marine Department and the Political Department are reckoned as Civil departments. The first is in the main a department of national defence, the second represents the cost of our relations with Native and border States, and has so far no connection with the internal administration of the country. Further, in tracing the expenditure from 1875–6 to 1895–6, we seek to compare like with like, in order to ascertain the true growth of expenditure, and with that object we omit the civil expenditure in Upper Burma, which did not form part of the Empire in 1875–6. Lastly, the chapter of Law and Justice takes credit only for cash receipts in the courts, whereas we have shown that the court fees levied by stamps should be set off in addition against the gross expenditure of the courts, in order to show truly the charge of "law and justice" to the general taxpayer. These modifications give the following results:—

		1875–6. Rx.		1895–6. Rx.
Net charge of Civil Departments as given in the accounts		9,037,000	Rx.	13,488,000
Deduct Marine	Rx. 366,000		574,000	
„ Political	432,000		1,062,000	
„ Upper Burma	—		809,000	
Deduct also Court fee stamps	1,975,000		3,224,000	
		2,773,000		5,669,000
Net expenditure on Civil Departments proper		6,264,000		7,819,000

We have thus a true increase of charge to the general taxpayer on internal administration of only Rx. 1,555,000, or a little under 25 per cent., as against an increase of population which we have estimated at 20 per cent.

157. Expert authorities, it will be remembered, consider that a part of the salaries of officers engaged in the civil administration are paid from the land revenue under

Summary. the head of charges of collection. This qualification applies, however, with greater force to the year 1875–6 than to the year 1895–6, and would not, therefore, affect materially, if at all, the comparison which we have instituted. The result of our comparison is remarkable, and, if it be just, the Indian Government can hardly be charged with extravagance in this great division of expenditure. Indeed, it suggests the question whether, under more favourable circumstances of finance, a larger sum might not with advantage be appropriated to those services which so nearly concern the welfare of the people of India.

4.—Civil Buildings and Roads under the Public Works Department.

Qq. 10,684, &c. 158. The central Government is not concerned with the details of civil buildings and roads, the administration of which is entrusted to the Public Works Departments of the Provincial Governments.

The gross expenditure in India was—

	1875–6.	1883–4.	1895–6.
	Rx.	Rx.	Rx.
On civil buildings	3,242,000	1,009,000	1,176,000
On roads and communications		1,246,000	2,025,000
On miscellaneous improvements		566,000	327,000
On establishments, &c.		1,864,000	925,000
Total	3,242,000	4,685,000	4,453,000
The receipts amounted to	488,000	488,000	621,000
Net expenditure	2,753,000	4,197,000	3,832,000
Net expenditure in England* £	77,000	70,000	62,000
Exchange on net expenditure in England	8,000	16,000	47,000
Total	2,839,000	4,283,000	3,941,000

A considerable part of the increase between 1875–6 and 1895–6 arose in Upper Burma, Rx. 229,000.

This branch of expenditure varies with the amount of funds which the provincial governments have at their disposal. If they have spare money in one year they can lay it out on buildings or roads, with a power of economising in following years if they have need for economy. The net outlay has been as low as Rx. 2,380,000 in 1877–8, and as high as Rx. 4,417,000 in 1891–2.

Mr. Jacob calculated the expenditure on roads out of this grant in 1893–4 at Rx. 2,087,000. This sum covers the whole charge of roads in India,† except municipal and village roads. The latter are mere tracks, not bridged or metalled.

5.—Miscellaneous Civil Expenditure.

(*a.*) *Political and Territorial Pensions.*

Qq. 10,191–10,213. 159. The budget of political and territorial pensions consists in the main of pensions and allowances to native princes and chiefs consequent upon obligations incurred on the taking over of their territories. It includes a few charitable allowances granted for political purposes. These pensions are for the most part personal allowances to the original grantees, but part of a pension is generally re-granted to the heir, and these re-grants form the subject of special consideration.

The charge was in 1875–6 Rx. 812,000, in 1883–4 Rx. 768,000, and in 1895–6 Rx. 454,000.

In some few cases, such as that of the Maharajah Dhuleep Singh, the allowance has been fixed in sterling, carrying with it, of course, the additional cost of exchange on remittance. These pensions are practically an expiring charge; for instance, since 1875–6 pensions of Rx. 120,000 to the Ex-King of Oudh and his family, of Rx. 98,000 to the Nizamat family of Bengal, of Rx. 11,000 to the Gond Raja in the Central Provinces, and of Rx. 23,000 in Madras, have ceased to be payable. On the death of the Maharajah Dhuleep Singh, his pension of 22,589*l.* ceased, and allowances amounting

* The English charge includes the furlough allowances of military and civil officers of the Works Department; 47,000*l.* in 1875–6, 53,000*l.* in 1883–4, and 53,000*l.* in 1895–6.

† There are in addition some military roads.

to 12,880*l.* were re-granted to his family. A distinction must be drawn between these pensions granted for political reasons, and the assignments against which revenue is received, made to Indian princes and others.

(*b.*) *Miscellaneous Charges.*

160. The chapter of small miscellaneous charges consists of a number of small items, which do not fall conveniently into other chapters. Changes in the accounts prevent fair comparison between the years 1875–6 and 1895–6, but the expenditure in India of the latter year may be set against that of 1884–5, with the following result:— Qq. 10,581, &c.

	1884–5.	1895–6.
	Rx.	Rx.
Petty provincial and local establishments	75,000	66,000
*Remittance charges on transport of treasure, &c.	26,000	22,000
Books and Periodicals	8,000	5,000
Charitable donations and relief of vagrancy	28,000	32,000
Rewards for destruction of wild animals	25,000	13,000
Special commissions of inquiry	8,000	3,000
Rent, rates, and taxes	31,000	19,000
Various items	51,000	39,000
Total	252,000	199,000

On the other side, this chapter is credited with receipts amounting in India in 1884–5 to Rx. 332,000, in 1895–6 to Rx. 450,000. It is clear, therefore, that this head of service is more than self-supporting.

(*c.*) *Printing and Stationery.*

161. There is a chief stationery office in each of the three presidencies, subject immediately to the provincial government. That of Bengal supplies the Punjab and the North-West Provinces. Bombay supplies a part of the Central Provinces. The establishment at Calcutta is the largest, costing in 1895–6 Rx. 15,300; while that at Bombay cost Rx. 2,400; that at Madras Rx. 3,000. The head of the Stationery Office is responsible for the purchase of stationery, but his powers are limited, for he must obtain the assent of his government to any outlay of large amount. Although the heads of the stationery offices are responsible to their respective provincial governments, all purchases of stationery are made on account of the centra or Imperial Government. Thus the Imperial Government is debited with all stores purchased, and credited with the issues to the different provincial governments. The cost of printing is separate from that of stationery. Most of the printing is done by government presses, but a certain amount of common printing is put out to contract. The printing establishments of the central and provincial governments cost in 1895–6 Rx. 266,000. Qq. 10,193 *et seq.*

162. The gross charge of the stationery departments, including the cost of printing and exchange, amounted in 1875–6 to Rx. 485,000; and in 1895–6 to Rx. 685,000.†

The net charge amounted in 1875–6 to Rx. 426,000; and in 1895–6 to Rx. 601,000.

It is a coincidence that the charges of printing and stationery are very similar in the Governments of England and India. The gross English charge in 1893–4 was 633,000*l.*, the net charge 528,000*l.*, as compared with the Indian charge in that year of Rx. 683,000 and Rx. 599,000 respectively. Governments and public bodies are often charged with extravagance in printing. The charge is to a large extent true, but, if the numbers governed, and the extent of territory in the United Kingdom and India, respectively, be taken into consideration, the Indian figures do not on that basis of comparison suggest a *primâ facie* case of excess. In 1875–6 the charge for purchase of stationery in India (apart from purchases in England) was Rx. 243,000, in 1895–6 Rx. 315,000; the charge for printing in the former year Rx. 174,000, in the latter Rx. 291,000. It should be noticed that since 1875–6 the amount expended on

* Premiums on bills of exchange credited under receipts on the other side amounted in 1884–5 to Rx. 22,000, in 1895–6 to Rx. 31,000, more than counterbalancing this charge. *See* paragraph 29 of this report.

† In some of the smaller offices and departments officers can incur petty charge for stationery purchased in the country, which are charged among their office contingencies.

stationery stores in England for use in India has greatly diminished. In that year the charge for stores bought here was 209,000*l.*, while in 1895–6 it was only 39,000*l.* Purchases are made in India when the price is cheaper than in England. Within the last 20 years prices of stationery and printing materials have fallen largely. The increase appears to have arisen on establishments; and it may be observed that that increase would have been larger but for the fall in materials.

163. We think it would be an advantage if a note were added to the statement of stationery and printing expenditure in the financial accounts, showing the value of stores supplied during the year to each department. A note of the amount which each department expects to demand is appended to the estimate, but it is equally, if not more, interesting to learn what each department actually took.

(*d.*) *The Mint.*

Qq. 10,599, &c.

164. The Mint usually earns sufficient receipts to make it more than self-supporting. In 1860–1 its receipts were Rx. 288,000, in 1861–2 Rx. 381,000, while the charges were in those years respectively Rx. 211,000 and Rx. 111,000. Sir Evelyn Baring calculated the net yearly surplus of the Mint in the ten years 1871–2 to 1880–1 at Rx. 64,000.

	Rx.
In 1891–2 the surplus was	113,000
„ 1892–3 „ „	198,000
„ 1893–4 „ „	136,000
„ 1894–5 the deficiency was	17,000
„ 1895–6 „ „ „	12,000
„ 1896–7 „ surplus „	95,000
„ 1897–8 „ „ „	93,000

The closing of the Mints to the free coinage of silver diminished, of course, largely the receipts of the Department.

(*e.*) *Civil Furlough Allowances.*

Qq. 10,214, &c.

165. The general rule for civil furlough is that half pay is given, subject in the covenanted Civil Service to a maximum of 1,000*l.*, and to a minimum of 500*l.* In the uncovenanted service the minimum is 200*l.*, or three-fourths of the salary. Furlough allowance, when drawn in England, was converted into sterling up to 1892–3 at the official average rate of exchange, but from 1st April 1893 a fixed rate of 1*s.* 6*d.* for the rupee has been conceded.

166. Civil furlough allowances amounted in 1875–6 to Rx. 255,000, including allowances to military officers in civil employment. The gold value of the rupee at that time was so high as to involve but little charge to the Indian taxpayer on remittance home. In 1884–5 these allowances amounted to Rx. 261,000, in 1893–4 to Rx. 327,000, in 1895–6 to Rx. 394,000, and in 1897–8 to Rx. 294,000, including exchange. The effect of the concession, which took effect on 1st April 1893, is evident. The charge, apart from exchange, was in 1884–5, 213,000; in 1895–6, 224,000; and in 1897–8, 188,000. The whole of this sum was, with an insignificant exception paid in England, the furlough charge paid in India being charged under the same head as the salaries. Furlough allowances are, in fact, a charge of active service; and, although the Indian Government is right in showing separately this somewhat exceptional head of expenditure, we think that a note should be attached to the finance accounts, showing, under the different services, the charge of furlough allowances paid in England.

167. The Indian Government consider, and we acknowledge the weight of their contention, that their officers serving in a tropical climate should be encouraged to recruit health by taking occasional leave at home. The amount of leave allowed to civil officers is, generally speaking, one-fourth of their active service up to a maximum of six years. The reduced amount of sterling which they received in the years prior to 1893 in respect of the half pay allowed to them on furlough probably discouraged men from availing themselves of their privilege; and, if the policy of the Government is correct, the measure of 1893, onerous as it is to the Indian taxpayer, presents almost a logical consequence of that policy. We have compared the rates of furlough allowance in India with leave allowances in the Imperial and Colonial services. A diplomatic officer in the Imperial service can take, without loss

of salary, 60 days yearly, together with the time taken in going home and returning to his post; a consular officer can take 30 days on the same conditions; two months' leave on the same conditions are allowed to consuls at unhealthy posts. Three months without loss of pay are given to consular officers in China and Japan. Civil servants in Ceylon are allowed one year in six on half pay, with other privileges and rates of exchange more favourable than those of India to officers appointed before 1897. The Indian scale, therefore, is not extravagant compared with the scales allowed in the other services.

(*f.*) *Pensions and Superannuations.*

168. Pensions and superannuations form a most important chapter in the budget, and we shall devote somewhat larger space to an investigation of the charges for which it provides. Qq. 10,390, &c.

Mr. Jacob compared for us the cost of non-effective service paid in India and England for the years 1875–6 and 1893–4. The following figures give the net charge* of civil pensions, *excluding the cost of exchange incurred in remitting home the pensions payable in sterling.* Receipts are deducted from gross expenditure in order to arrive at the net charge, which of course represents the burthen to the taxpayer. Appendix 34, Vol. 2, p. 230.

	1875–6.	1893–4.
Net charge of civil pensions (including medical) -	1,138,000	1,868,000

The increase in 17 years was, therefore, 730,000 or 64·1 per cent. The causes of it require examination.

The non-effective charge of the Civil Government of India may be divided into two branches.

1. Pensions, gratuities, and compassionate allowances payable to Native officers, and pensions payable to European officers *other than covenanted civil servants and medical officers.*

2. Pensions to covenanted civil servants, to their families, and to medical officers. These pensions used to be paid from funds created and maintained for the purpose.

Branch 1.

169. The first branch is again divisible into two heads, (*a*) pensions payable in India.† and (*b*) pensions payable in England.

170. (*a.*) The first head represents almost entirely pensions payable to Natives of India:—

	1875–6.	1893–4.
	Rx.	Rx.
The net charge of this head was - - -	323,000	769,000*
Increase, Rx. 446,000 or 138 per cent.		

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* The gross charge given in the account in Appendix No. 34, Vol. II. p. 230 (*apart from exchange*) was:—

	1875–6.
Gross charge - - -	1,990,000
Deduct military and naval pensions	559,000
	1,431,000
	1893–4.
Gross charge - - -	2,695,000
Deduct military and naval pensions	625,000
	2,070,000

The net charge (*apart from exchange*) was:—

	1875–6.
Net charge - - -	1,237,000
Deduct military and naval pensions -	99,000
	1,138,000
	1893–4.
Net charge - - -	2,381,000
Deduct military and naval pensions -	513,000
	1,868,000

Increase, 639,000 = 44·6 per cent.

† Pensions payable in India:—

	Rx.
Gross charge 1893–4 - -	911,000
„ „ 1896–7 - -	1,006,000
Increase -	95,000

	Rx.
Net charge, 1893–4 - -	695,000
„ „ 1896–7 - -	804,000
Increase -	109,000

It will be noticed that Sir H. Fowler's return of net payments in 1893–4 in India (Rx. 695,000) differs from the figure given above (Rx. 769,000). Sir Henry's return deducts receipts from certain Civil Service funds which do not affect the charge of pensions to Native civil officers.

Pensions.

(*b.*) The second head represents Europeans, who are not covenanted civil servants:—

	1875–6.	1893–4.
	£	£
The net charge of this head was - - -	269,000	330,000

Increase £61,000 = 22·6 per cent.

	1875–6.	1893–4.
The total net charge of the first branch was - -	592,000	1,099,000

Increase, 507,000 = 85·6 per cent.

By far the larger part of this increase arises on pensions to Native civil officers, and Mr. Jacob found the main causes of it in the comparatively recent introduction of the pension system, the large increase in the staff of officials employed in the civil administration, and in an alteration of the pension rules (1888), which sanctioned the grant of pensions on a minimum of 10 instead of 15 years of service.

The charge appears to be an increasing one, for we notice from Sir H. Fowler's return that between 1893–4 and 1896–7 a rise took place both in the gross and net charge of the pensions payable in India. That return, however, does not enable us to analyse the charge, as Mr. Jacob has analysed the charge of 1893–4.

171. The pensions of European civil officers (other than *covenanted civil servants* and medical officers*) amounted in 1893–4 to 330,000*l.*, of which Rx. 24,000† arose in the marine service, which we class with "defence," and deduct, reducing the charge to 306,000*l.*, viz.:—

	£
Pensions for distinguished service - - -	10,000
Pensions of the office of the Secretary of State - -	40,000
Pensions of abolished Indian establishments - -	8,000
Pensions of Judges of the High Court, &c. - -	32,000
Pensions of uncovenanted officers - - - -	185,000
Other pensions (including family pensions) - -	31,000
	£306,000

172. Mr. Jacob compared the cost of this head in 1893–4 with its cost in 1881–2, because the details of 1875–6 are not available, but the total charge of 1881, he says, does not differ greatly from that of 1875. A comparison, therefore, based on the year 1881 may suffice for our purpose. It shows a decrease on the pensions of the India Office and on every other head, except that of judges (increase, 2,530*l.*), and that of the uncovenanted servants, which rose from 73,000*l.* in 1881 to 185,000*l.* in 1893–4, an increase of 112,000*l.*, equivalent to 153 per cent. As the net increase on this head since 1875 is only 60,903*l.*, it follows that the reductions on the other heads of pension must be very considerable.

Branch 2.

173. We pass on to branch 2, pensions to covenanted civil servants, to their families, and to medical officers, formerly payable from special funds.

The net charge of this head, exclusive of exchange, was in—

1875–6.	1893–4.
546,000	769,000

Increase, 223,000, or 41 per cent.

This statement is correct as far as the accounts show sums paid from the Treasury in those two years, but it does not represent a true comparison of the charge on the

* The terms of covenanted and uncovenanted servants are no longer used, but they express shortly a real distinction, and therefore we retain them in this report.

† App. No. 34, Vol. II., p. 236—

	£
Marine service - - - -	6,000
Indian navy - - - -	18,000
	£24,000

Similar figures are given, not for the year 1875, but for the year 1881, amounting to 26,000*l.* This deduction, therefore, would probably not materially affect the comparison given of the year 1875–6 with the year 1893–4

taxpayer. In 1875–6 payments in aid of pensions were made out of funds which will be described in the next paragraph, and these payments relieved the taxpayer to the extent of Rx. 176,000 in excess of like relief in 1893–4. The true charge, therefore, of 1875–6 was probably not very much less than that of 1893–4. Pensions.

174. Many years ago funds were instituted to provide pensions for the officers and persons included under this branch. The officers interested subscribed to and maintained the funds to which the Government made a contribution.

Thus considerable reserves were accumulated and invested. Between 1868 and 1885 a change of policy occurred. The Government took over the service funds and became responsible for the obligations attaching to them. The capital sums thus taken over at different dates within the period mentioned amounted to no less a sum than Rx. 9,146,000.* The Government, on undertaking these obligations, decided not to maintain the funds. They used a part of the "medical" funds in compounding the claims of the subscribers, and they from time to time paid other large sums coming into their possession from the different funds into the Treasury, and those sums formed part of the general balance of the State, available either for current or capital expenditure as the circumstances of the time permitted. The fund moneys, when paid into the Treasury, were not ear-marked to any special service, and it is impossible, therefore, to say with precision how they were actually appropriated. Large sums, however, were advanced during a series of years out of the State balances for productive works, and the India Office consider that Rx. 8,000,000,† part of the above sum of Rx. 9,146,000, were practically so employed. We cannot pretend to trace the transactions upon which this appropriation is based. It is, however, the fact that large sums out of balances were so advanced, and, that being so, we do not think the plea of the India Office unreasonable. See paragraph 120.

This sum of Rx. 8,000,000 invested, as the India Office consider, in public works, produces at 4 per cent., according to the Indian method of charge, Rx. 320,000. If the Public Works Department were charged, as we think more correctly, with interest at $3\frac{1}{2}$ per cent., the investment would produce Rx. 280,000. If the contention of the India Office, as to the use made of the monies arising from the funds, be accepted, one or other of these sums should be taken in aid of the pension charge contained in branch 2, reducing it in 1893 to a net amount of about Rx. 440,000 on the first assumption, to Rx. 480,000 in the other. A like adjustment applied to 1875–6 would leave the net charge less, but not very much less, than in 1893–4.

But that is not all. The covenanted civil servant‡ makes a contribution towards his pension. He may retire on 1,000*l.* a year paid in sterling after 25 years of service (21 years of residence), but during his service he is required to pay 4 per cent. of his salary for the time being towards his future pension. Formerly this contribution was actually paid over to the fund (the Civil Service Annuity Fund) upon which the pension would be charged; but, when the funds were taken over by the Government in 1874, a separate account of the contributions was no longer kept. The contributions themselves were not collected, but the 4 per cent. was deducted from the salary, and the balance only was paid over to the officer enjoying the salary. For instance, on a salary of 1,000 rupees, 960 only are paid, and, as far as the Treasury and the accounts are concerned, the salary is treated only as one of 960 rupees. Thus,

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* There were three classes of funds taken over by the Government:—

1. The medical retiring funds, which were taken over between 1868 and 1870 (this charge will eventually disappear from the accounts), Rx. 1,113,000.
2. The funds out of which annuities were provided for covenanted civil servants, taken over in 1874, Rx. 3,052,000.
3. The funds by which provision was made for the families of deceased covenanted civil servants, Rx. 4,981,000, taken over between 1882 and 1885. These funds were closed to new interests in 1881, and it is therefore a dying charge. A new system was then adopted, under which the Government makes a maximum annual contribution of 35,000*l.* a year.

† The exact amount of these funds so treated is Rx. 8,032,732 viz.:—

	Rx.
Civil Service annuity funds	3,051,918
Civil funds	4,980,814

‡ "The annuity of 1,000*l.*, given to the civil servants on retirement, was originally contributed to the "extent of one-half from the fund to which all those in the service subscribed 4 per cent. on their salaries, the "Government contributing the other moiety. In 1862 the Government agreed to raise their portion to 600*l.*, "and in 1871 the Secretary of State permitted all who had rendered the requisite service and residence to "retire on a fixed pension of 1,000*l.* a year, even though their subscriptions might not have been sufficient to "purchase an annuity of 400*l.*" (10th Report of the Home Charges Committee, Parliamentary Paper 327 of 1893, page 72). Thus it appears that the pension privileges of civil servants increased after the Mutiny, and again in 1871, but that up to 1871 the pensioner found two-fifths of his pension or 400*l.* per annum.

Pensions. all touch between the pension and the contribution is lost, and it requires some research to learn that the civil servant does actually make a substantial contribution towards his pension. So much is this the case, that an authority so able and so versed in Indian accounts as Mr. Jacob could not ascertain the yearly amount of the contribution. He estimated it to amount to Rx. 64,794.* That further sum must accordingly be deducted from the pension charge under Branch 2, and the true net charge in 1893–4 would be reduced to about Rx. 380,000 or Rx. 420,000, according as 4 per cent. or 3½ per cent. is allowed upon the pension fund moneys invested. A like deduction would also apply to 1875–6.

Summary of Pension Charge.

175. We may now recapitulate our remarks on the pension budget. The accounts show an increase of Rx. 730,000 in the net charge of civil pensions between 1875 and 1893. We have shown first that Rx. 446,000, part of that sum, arose upon the pensions of civil officers, chiefly natives of India, payable in India. We added that, although we could not analyse the accounts of later years in the same detail, yet it was clear that the pensions payable in India have increased considerably in amount between 1893 and 1897. In the next place we showed that between 1875 and 1893 an increase of 61,000*l.* arose upon the pensions of European civil officers, other than *covenanted civil servants*; but we pointed out that, in this section of the pension budget, the increase under the head of one class, viz., *uncovenanted civil officers*, was very large, viz., 112,000*l.*, savings on other pension heads in the same section reducing the net increase to 61,000*l.* Thirdly, we showed that the charge on Branch 2 of the Pension budget, viz., the pensions payable to covenanted civil servants and their families, and to medical officers, amounted in 1893–4 to 768,000, an increase over 1875 of 223,000. We gave, however, reasons for thinking that this increase, though accurately recording the cash charge to the Government in the two years, did not represent the true pension charge of those years, and that there was probably little true increase of charge to the taxpayer upon this section between 1875 and 1893, for we showed also that, according to the view of the India Office, which we accept, moneys formerly belonging to special funds and amounting to more than Rx. 8,000,000 had been lent on public works; that the interest on that investment should be taken as a receipt in aid of this branch of the pension budget; and that this contribution, together with the amount of 4 per cent. deducted from the salaries of covenanted civil servants in respect of their pensions, would reduce the charge of these pensions to the taxpayer from 768,000 to 380,000, or at most 420,000.

176. We suggest that the future maximum and normal cost of the pensions granted to civil officials who are uncovenanted Europeans or natives of India, should be calculated under actuarial advice, and the normal proportion under existing regulations of non-effective to effective pay estimated, in order that the Government may satisfy themselves, in view of the great increase under these two heads, that the charge is not and will not be, apart from exchange, greater than the fair needs of the public service require. We suggest also that it should be ascertained, on actuarial advice, whether the pensions of the covenanted civil servants have attained their normal amount; also whether the pensions to their families have attained their maximum, and at what date it may be expected that the Government contribution to the family fund will be reduced to Rx. 35,000.† In this case, also, we recommend that the proportion of non-effective to effective charge should be calculated at the present time, and also at the time when, under existing regulations, a normal charge shall have been reached. Lastly, an account should be drawn up yearly, showing, on one side, the actual charge of pensions paid, and, on the other side, the income which would have been received if the capital sums taken over from the several funds had remained invested, and also the amount of the contribution which civil servants make out of their salaries towards their pensions.

177. We lay stress on the necessity of watching the proportion which the cost of non-effective service bears to that of effective service. In the English Civil Service that proportion may be said to range from 20 to 25 per cent. Probably, the existing law in normal working would not exceed 20 per cent. In India, it has been the

* Since Mr. Jacob gave his evidence, a note has been inserted in the Finance and Revenue Accounts, from which we learn that in 1897–8 a sum of Rx. 68,000 (approximately) was recovered from Indian civil servants by deduction from their salaries on account of contributions towards annuities.

† *See* first note to page 65.

practice, when officers are transferred from the Indian to other services (Imperial or Colonial), to estimate the non-effective charge latent in the conditions of their service at 25 per cent. of the effective charge, but systematic enquiry has not been instituted from time to time in order to ascertain the true proportion of the one charge to the other. Mr. Jacob, at our request, turned his attention to the point in connection with the covenanted civil service. He pointed out that it is difficult to make an accurate calculation for this purpose, because neither the amount of the 4 per cent. contribution made by the civil servant nor the effective charge of the service as a whole can be ascertained from the public accounts, since (1) the effective charges are classified by departments, and not by services, so that the salaries of covenanted civil servants are often included in the same item as those of other civil officers, and since (2) no separate accounts are kept of the 4 per cent. deduction. He stated that a calculation of the same kind as that which we desired was made for the year 1877–8 at the request of the Committee on Reduction of the Home Charges, appointed by the Secretary of State in 1879. The calculation applied to the pension list of the covenanted civil service, which amounted in that year to Rx. 408,000. It did not therefore include the pensions of the Medical Service, or those granted to families of civil servants included in our previous calculations. The Committee deducted from that sum of Rx. 408,000 (1) interest at 4 per cent. on the capital of the civil service pension fund which the Government took over, amounting to 3,052,000*l.*, that is to say, 122,000*l.*, and (2) the sum of 63,000*l.*, which, in the absence of an accurate statement, they calculated to be about the value of the 4 per cent. deduction from salaries. They thus arrived at a net pension charge to the State of 223,000*l.* On this basis, and also on the assumption that the rupee was worth in exchange 2*s.*, they estimated at 14 per cent. the proportion of the cost of non-effective to effective service (Rx. 1,585,000) upon this branch of the service. Mr. Jacob then applied, as far as the means at his disposal admitted, the same calculation to the year 1893–4. He reckoned the effective charge at Rx. 1,575,000, and the non-effective charge at Rx. 485,000, and, after deducting Rx. 122,000 interest on the capital fund, and Rx. 65,000 on account of the 4 per cent. deduction from salaries, he arrived at a net pension charge to the State of Rx. 298,000, equivalent to a proportion of about 19 per cent. This is a fair statement of the account as between the covenanted civil servant and the State, and it shows that, if the rupee were at 2*s.*, the pension charge, giving credit for the interest on the fund, would not be excessive.

Pensions.

Appendix No. 34, Vol. II., p. 230.

178. We pass, however, to the cost of exchange, and the charge then becomes more serious.

The average rate of exchange obtained for bills on India sold in London from 1850 to 1870 varied from 1*s.* 11*d.* to 2*s.* 2*d.* for the rupee. Exchange began to fall in the latter year, and during the next five years it ranged from 1*s.* 10*d.* to 1*s.* 11$\frac{1}{8}$*d.*, approximating, therefore, to the gold value of the rupee upon the basis of 15$\frac{1}{2}$ to 1. In 1875–6 the rate was 1*s.* 9·626*d.*, and, although at that rate there was some loss on remittance to England, it was not large. For instance, civil pensions of all kinds amounting to 668,000*l.* were paid at home in that year. That amount in sterling would, at the par of 1*s.* 10$\frac{1}{2}$*d.* to the rupee, have cost Rx. 712,000. Rx. 741,000 were actually required, entailing an extra charge on remittance of Rx. 29,000, or rather more than 4 per cent. From 1875 exchange fell continuously, and in 1893–4 the rupee was only worth 1*s.* 2·547*d.* in exchange (not the lowest point). In that year civil pensions amounting to 1,161,000*l.* were paid in England. That sum would, at the par of 1*s.* 10$\frac{1}{2}$*d.*, have cost Rx. 1,238,000 in India. The remittance actually required Rx. 1,915,000, entailing a charge of Rx. 678,000, or nearly 55 per cent., and, even if the exchange had been at 1*s.* 4*d.*, the extra charge would have exceeded 40 per cent. This is a grave matter to the Indian taxpayer. It can hardly be doubted that the Indian Treasury, when it decided to grant a pension of 1,000*l.* sterling to an Indian civil servant after 25 years of service, fixed that amount with some reference and in some proportion to the amount of the salary which the retiring officer would be drawing in rupees. The exchange on converting the rupee into sterling was not much below the old par, when the Indian Government undertook to pay the civil servant a pension of 1,000*l.* a year, in consideration of a yearly contribution of moderate amount, and financial authorities no doubt anticipated that Rx. 1,000 would, within a slight area of divergence, provide 1,000*l.* in sterling. That has not been so, for in 1893–4 481,000*l.*, the pensions of covenanted civil servants payable in England, cost Rx. 794,000. In other words, it took nearly Rx. 1,650 to provide 1,000*l.* sterling.

Appendix No. 40, Vol. II., p. 245.

Appendix No. 34, Vol. II., p. 230.

Pensions.

The proportion which the non-effective bears to the effective charge of this class of officer is heavy, even if exchange were at the old par of 1*s.* 10½*d.* That rate would require Rx, 513,000 to provide 481,000*l.* in sterling, and Rx. 513,000 is nearly 33 per cent. of the effective charge computed by Mr. Jacob at Rx. 1,575,000. But at the rate of exchange which prevailed in 1893–4 the non-effective is more than 50 per cent. of the effective. It is evident, therefore, that the conditions under which the State fixed the pension of the covenanted civil servant at 1,000*l.* in sterling, have been gravely modified by subsequent events. We are speaking now of the *gross relation of pension to salary*. We have already pointed out that that relation does not measure the charge to the taxpayer, who should have the benefit of the fund* accumulated in former years to meet in part the charge of pensions, and also the benefit of the contribution deducted from the salaries of the officers on active service. Mr. Jacob calculated that, after allowing for these aids, the net pension charge of the covenanted civil service to the taxpayer, including the cost of exchange, is no less than 39 per cent. of the effective charge.

Qq. 10,363–71.

179. Attention should also be given to the effect of exchange on the pension charge of the uncovenanted service. That service constitutes the larger part of the service of India. The officers belonging to it do not contribute from their salaries towards a pension fund. Their pensions are granted in rupees, and up to the year 1889–90 were, when paid in England, converted into sterling at the official rate of exchange (an average of the cost of remittances to and from India over a certain period), but from 1890 they have been converted at the fixed rate of 1*s.* 9*d.* for the rupee, in consequence of the recommendation of a Select Committee of the House of Commons. The official rate for 1893–4 was 1*s.* 2¾*d.*, and at that rate the sterling amount of the pensions would have been 126,000*l.*; at 1*s.* 9*d.* it actually was 185,000*l.* It is desirable to show what this means to the taxpayer. If the salary of the retiring uncovenanted officer were 5,000 rupees a year, he would be awarded on 30 years' service a pension of 2,500 rupees a year, and he would receive that amount while he remained as a pensioner in India, but if he came to England he would be entitled to receive it converted into sterling at the fixed rate of 1*s.* 9*d.* for the rupee, or 218*l.* 15*s.* If the exchange were at 1*s.* 4*d.*, this pension would cost the Indian taxpayer 3,281 rupees to provide that sum, or nearly two-thirds of the retiring officer's salary. The grant of the improved rate was followed by an increase in the number of pensioners. Thus the measure not only raised the amount of sterling payable in respect of each pension, but it stimulated also retirements on pension, and the transfer of pensions from India to England.

Appendix No. 34, Vol. IV., Table, p. 237.

180. Sir Henry Waterfield and Mr. Jacob appeared to think that the pension scale of the covenanted civil service is more moderate than the English graduated scale of sixtieths. On this point we are not altogether satisfied. The average salary of the covenanted civil servants when they retire is said to range from Rx. 3,600 to Rx. 4,200 a year. On retirement they receive a pension of 1,000*l.* a year, to which they have contributed 4 per cent. of their salaries during active service. The actual Government grant is thus reduced, in Sir Henry's opinion, from 1,000*l.* to 500*l.* or 600*l.* a year. It has been suggested that a pension scale such as that of the English Civil Service, rising by annual sixtieths to a maximum of two-thirds of the salary, with voluntary retirement at 60 years of age, and compulsory retirement at 65, would be relatively less expensive to the taxpayer than a fixed pension of 1,000*l.* a year granted after 25 years' service with voluntary retirement at 55, and practical retirement by 60 years of age, even when accompanied by a contribution from salary. We find from the India lists for 1894 and 1898, that there were in the first year 958, in the second year 1,021, covenanted civil servants in active employment; and that in 1894 there were 471 pensioners on the full allowance and 71 on invalid pensions, in 1898 there were 567 pensioners on full allowance and 69 on invalid pensions; so that the pensioners are about 60 per cent. of the men in active service—a very large percentage.

181. These figures emphasise our recommendation that an actuarial report should be obtained on the working of the pension regulations of the covenanted civil service. In making this recommendation, we express no opinion adverse to the grant of 1,000*l.* a year upon a given amount of service, and we fully recognise that laborious and responsible service in a tropical climate should entitle a man to a substantial pension in reasonable time.

* It must not be forgotten that that fund in part was built up by interest paid by the Government in excess of the interest which the Government could earn.

6.—Commercial Services.

182. Sir Henry Fowler in his annual return classifies as commercial services certain branches of revenue-earning business undertaken by the State. These branches are: 1, the Post Office; 2, the Telegraphs; and 3, the Public Works Department, so far as it is charged with the construction and maintenance of irrigation works and State railways. The classification is convenient, and we follow it.

(*a.*) *The Post Office.*

183. It has not been the policy of the Indian Government to cultivate the post office as a source of revenue, but to use the growing receipts in increasing the efficiency of the department. In 1861–2, according to the revised accounts the revenue of the post office was, in round numbers, Rx. 402,000, the expenditure Rx. 570,000, and the deficit or charge on the taxpayer, Rx. 168,000. In 1875–6 the revenue was Rx. 766,000, the expenditure Rx. 911,000, and the deficit Rx. 145,000. Sir Evelyn Baring, in his minute of 11 August 1883, makes the expenditure of that year Rx. 903,000 (omitting exchange), and he reckons the average deficiency of the ten years 1871–2 to 1880–1 at Rx. 123,000. The post office revenue in 1895–6 was Rx. 1,714,000, the expenditure Rx. 1,644,000—*surplus* Rx. 70,000; in 1897–8 there was a surplus of nearly Rx. 150,000. The tide turned in 1891–2, and since 1893–4 there has been an increasing surplus. The State in reckoning the post office revenue counts as a receipt the postage on letters carried for the public service,* differing so far from the practice in this country. But to make the account complete we must add some items not included in the figures which we have quoted. In the first place, the rent of post office buildings is charged to the chapter of the Public Works Department, not to that of the post office. In the next place, non-effective allowances are not included, a charge which it is difficult, as we have shown in a previous section of our report, to apportion in India among the different services.† Lastly, the post office is not credited with any receipts to set against the expenses of its savings bank business.

The pension charge, as stated in the annual Post Office Administration Reports, appears to us small.

184. In 1875–6 the post office had not undertaken savings bank business. In 1895–6 the deposits in post office savings banks amounted to Rx. 9,000,000, on which interest at the rate of $3\frac{1}{2}$ per cent. was paid. The interest earned was Rx. 267,000, but the larger part of these deposits was employed in loans to public bodies or in advances for public works, earning at least 4 per cent. If Rx. 9,000,000 were so employed, that sum would earn Rx. 360,000, and the difference may fairly be set against the expenses of managing the savings banks.

These modifications will increase the net deficit of 1861–2 and 1875–6, and the average deficit of the ten years taken by Sir E. Baring. They would probably leave the surplus of 1895–6 somewhat less than that quoted from Sir H. Fowler's return.

There has been a great increase of business since 1875–6. In the interval between that year and 1895–6, a period of 21 years, the deliveries have more than trebled. Letters, newspapers, and parcels delivered rose, according to the estimate of the post office, from 119,000,000 to 414,000,000.

In the interval also the post office has taken over the business of money orders and savings banks. Before 1879 money orders were issued by the District Treasuries. In 1878–9 245,000 orders were issued, representing a value of Rx. 892,000 and realising a commission of Rx. 10,587. In 1895–6 10,055,000 orders were issued, realising a commission of Rx. 260,000.

In 1875–6 only District and Railways savings banks existed, with 8,922 accounts with a balance of Rx. 212,000 in deposits.

* Nearly Rx. 260,000 in 1896–7.

†

—	1875–6.	1895–6.	1897–8.
	Rx.	Rx.	Rx.
Rent - - - - -	18,000	39,500	42,000
Pensions - - -	15,000	47,000	54,000

Post office.

In 1882–3, the year in which post office savings banks were established, the number of accounts opened was 39,000, and the deposits were Rx. 280,000. In 1895–6 the accounts numbered 654,000, and the balance of deposits at the end of the year amounted to Rx. 9,042,000. It is satisfactory to find that the post office is freely used by the native population. Such additions to the ordinary business of the post office necessarily increased the expenditure, and it is not matter for surprise that the charge of the chief office in Calcutta should have risen from Rx. 16,000 in 1875–6 to Rx. 66,000 in 1895–6, and the cost of the Presidency and District offices from Rx. 385,000 to Rx. 869,000. On the other hand, in spite of the great increase of business, the cost of conveyance of mails only rose from Rx. 334,000 in 1875–6 to Rx. 340,000 in 1895–6, the relatively small increase being due no doubt to the substitution over a large area of railway for more expensive modes of transport.

In 1896 the District or Presidency savings banks were transferred to the post office, and the railway banks only remained independent with 16,000 depositors and a balance of Rx. 758,000 in deposits.

Qq. 11,341, 11,342.

185. Mr. Jacob considered that the rates of pay in the postal establishments are low, that it is the lowest paid department in India with reference to the work done, adding that the Director-General has at times represented that the scales of pay of certain classes are not sufficient. Under this head, therefore, an increase of expenditure may be anticipated.

There is one branch of the Indian postal service which merits attention. A distinction is drawn between the Imperial post office and the district post offices. The district offices were originally opened to keep up communication between the heads of the districts and the police in the interior of the districts. They have been extended to keep up communication between the head offices and the different branches of administration in the district. The charge was met in some provinces by a local or provincial cess which rightly is not brought to charge as postal revenue. Advantage was taken of the official post for the distribution of private letters. Thus the district post acts as a pioneer for the Imperial post office. As the district administration develops the district post develops, and the Imperial post takes over the district post as soon as it begins to pay.

(*b.*) *Telegraphs.*

186. The telegraph revenue produced in 1861–2 Rx. 75,000, the expenditure amounted to Rx. 448,000, deficit, Rx. 373,000. In 1875–6 the revenue produced Rx. 311,000, against an expenditure of Rx. 503,000, leaving a deficit of Rx. 192,000. Sir E. Baring, in his Minute of 11th August 1883, returned the average deficit of nine years to 1880–1 at 100,000 (exclusive of exchange). In 1895–6 the revenue amounted to Rx. 1,086,000 against an expenditure of Rx. 898,000 in India and England, including exchange. Thus in this case also the tide has turned. There has been a surplus in every year since 1888–9, amounting in 1894–5 to Rx. 171,000, in 1895–6 to Rx. 188,000, in 1896–7 to Rx. 125,000, and in 1897–8 to Rx. 258,000. The railway telegraphs earn considerable sums in the dispatch of public telegrams, but these sums are carried to the credit of railway, not telegraph revenue. Building and stationery charges are included in the expenditure, and, in order to make the account complete, the charge of pensions also should be added. Mr. Jacob was unable to give us an estimate of that charge. It must, however, be considerably less than the surplus declared in recent years. On the other hand, the expenditure charged to revenue includes capital outlay for extension of the telegraph system. The capital expenditure varies much from year to year. In times of peace and prosperity it is large. Although the expenditure is charged to revenue, a capital account is kept. The capital expenditure up to the end of 1897–8 amounted to Rx. 6,299,000 on the Indian telegraphs, besides Rx. 1,153,000 on the Indo-European telegraph. The receipts from the telegraphs, therefore, enabled the State to lay out yearly a considerable sum on extensions, and to show nevertheless a good surplus of receipt over expenditure. In 1861–2 there were 11,030 miles of posts. In 1866–7, 13,784 miles of posts and 15,866 miles of wire. In 1871–2 there were 15,326 miles of posts, 28,973 miles of wire, and 245 offices. In 1896–7, 48,584 miles of posts, 148,136 miles of wire, and 1,563 offices.

Reduction of Expenditure Return, p. 130, Statistical Abstract.

(*c.*) *Irrigation.*

187. Before 1850, expenditure on public works of a productive character was very small.* The grant about that time of guarantees to railways marked a new departure.

* See Strachey's Finance and Public Works of India, chapter vii.

About the same time the Ganges Canal was begun, and irrigation works in Madras and the Punjab were undertaken. In 1854 the Public Works Department was created, but the Mutiny stopped progress. With the restoration of order an impetus was given to the works policy, but it can hardly be said that irrigation received the consideration due to it. The severe famine of 1837–8 in Northern India had indeed shown the importance of canals. A like experience was gained in Madras in 1853, and in the North-West Provinces during the drought of 1859–60. In 1864 the Secretary of State approved a proposal for undertaking irrigation works, upon the understanding that the sums which current revenue or balances could not provide should be made good by loans; but, before effect could be given to this decision, famine occurred in Orissa, and a widespread drought in Northern India during the following year emphasised the necessity for action. In 1867–8 the Government of Lord Lawrence formally adopted the policy of borrowing for extraordinary public works of productive character. No irrigation scheme, however, was to be sanctioned which did not promise to be fairly remunerative within reasonable time.* In 1878–9 a Committee of the House of Commons considered the method in which money required for public works should be borrowed, and they laid down the principle that all capital expenditure on productive works *supplied from revenue* should be treated in the accounts as if it had been borrowed, that a sum equal to that which was thus supplied should be transferred from the ordinary debt to the Productive Public Works Debt, and that interest on that sum should be charged against the works. In 1880–1 the Indian Government, giving effect to this recommendation, charged against the Public Works Debt Rx. 5,433,000, which they calculated had been expended out of revenue on productive works, chiefly of irrigation, in years before the 31st March 1867. Sir John Strachey, late Finance Minister, and General Strachey, in their work on the finances and public works of India, published in 1882, endeavoured to give a true account of productive irrigation revenue and expenditure from 1868–9 to 1879–80. Irrigation.

Statement VII., p. 444.

—	1868–9.	1879–80.
	£	£
Capital expenditure to 31st March	688,000	11,851,000
Gross direct receipts	319,000	,724,000
Share of land revenue, improved†	120,000	602,000
Total	439,000	1,326,000
Deduct working expenses	222,000	415,000
Net income	217,000	911,000
Deduct interest on capital	69,000	574,000
Net receipts	148,000	337,000

188. It must, however, be recollected that in the next year the capital account was amended by the transfer thereto of the main portion of 5,433,000*l.*, the sum spent, chiefly on irrigation, before 31st March 1867. *Ex hypothesi* that sum was duly chargeable against the capital accounts of 1868–9 and 1879–80. The amended statement will then stand thus:—

—	1868–9.	1879–80.
	Rx.	Rx.
Capital Expenditure	6,000,000	17,163,000
Surplus receipts as above	148,000	337,000
Deduct additional interest, 4 per cent., on, say, 5,000,000*l.*	200,000	200,000
Net result	Deficit - 52,000	Surplus - 137,000

* Works that might be expected to earn 4 per cent. in 10 years after completion.

† The increase of land revenue arising from irrigation is credited, not to the head of Land Revenue, but to the Irrigation Department.

Irrigation.

Sir John Strachey, speaking of the year 1881 (when the adjustment of 5,433,000*l.* had taken place), summarises progress up to that date: "On the larger irrigation "works, which are classed as productive, about 18,000,000*l.* have been spent, "12,500,000*l.* from borrowed funds, and 5,250,000*l.** from revenue. There are also "other works of the same character, not classed as productive, for which borrowed "money has not been granted, the capital outlay on which has been about 2,500,000*l.* "In all, the capital invested in irrigation works for which accounts of revenue are "prepared is something less than 20,250,000*l.* The estimated net income from them "for 1880–1 is 1,100,000*l.*, or about 5½ per cent. on the outlay, divided in the "proportions of 900,000*l.*† from the productive works class and 200,000*l.* from the "others."

Finance and Public Works of India, p. 106.

Statistical Abstract.

189. On the 31st March 1896‡ the permanent public works debt charged against irrigation was Rx. 31,101,000.

The receipts and charges of major irrigation works in 1895–6 were as follows:—

	Rx.
Direct receipts - - - - -	1,279,000
Working expenses - - - -	787,000
Net receipts - - - - -	492,000
Land revenue due to irrigation - - -	822,000
	1,314,000
Interest on debt - - - - -	1,223,000
Surplus - - - -	91,000

1895–6 was a bad year for the Irrigation budget, because the rainfall was plentiful, and there was small demand for irrigation water. The surplus in 1891–2 was Rx. 207,000, in 1892–3 Rx. 301,000, in 1893–4 Rx. 142,000, in 1894–5 Rx. 153,000, giving an average surplus of about Rx. 200,000. In the famine year of 1896–7 it was Rx. 815,000. The sum set apart for productive irrigation works is not fixed, but is usually Rx. 750,000. The actual capital expenditure on these works from 1879-80 to 1895–6 has averaged Rx. 733,000 a year, including the expenditure on protective works, which during the same period has averaged Rx. 107,000, but excluding Rx. 1,778,000 spent in the purchase of the Madras Irrigation and Canal Company's undertaking.

190. We are, however, immediately concerned in considering the burthen on the taxpayer, and the public works accounts are not drawn with that object. Irrigation undertakings are divided into two categories, (1) major, and (2) minor. The first are either productive works estimated to earn 4 per cent. in 10 years, or protective works defrayed in great part from the famine grant. The productive works *may be* the subject of loan; the protective works are canals and tanks, the cost of which is paid out of revenue. The statement of expenditure which we have just given refers to major works only, and the interest, stated at Rx. 1,223,000, represents a permanent charge of 4 per cent. (with only 2 per cent. for the outlay in the current year) upon the total capital expenditure on those works in the past (Rx. 31,101,000). That, however, is not the real charge to the taxpayer. Mr. Jacob told us that in 1894–5 only Rx. 22,000,000 out of a total capital charge of Rx. 30,000,000 had been borrowed. The remainder had been paid out of revenue or balances. The *present taxpayer* had, therefore, in 1896, only to pay in respect of these works the interest on Rx. 22,000,000, say, Rx. 700,000 to Rx. 800,000,§ not Rx. 1,200,000, and the surplus would be to that extent, or nearly that extent, improved. The result is satisfactory, especially when it is recollected that the expenditure of Rx. 30,000,000 includes works under construction, and not as yet earning revenue.

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* On final adjustment of the account to 31st March 1867, the sum spent on irrigation was fixed at 5,293,000*l.*, not 5,250,000*l.*, as here stated.

† This net income is subject to the charge for interest on capital expenditure.

‡ We take the year 1895–6, because 1896–7 was affected by the famine, and is not a standard year.

§ In the accounts of Indian expenditure, as a whole, credit is given for capital expenditure paid out of revenue, because that amount, as we have previously explained, is deducted from ordinary debt. We are, however, considering here each section of expenditure by itself, in order to test the economy of administration in each section.

191. Nor is this all. The cost of minor works, averaging since 1879–80 Rx. 858,000 a year, is defrayed from revenue. There is, therefore, no deadweight charge on the present taxpayer in respect of past expenditure on these works. They, however, earned in 1895–6 Rx. 199,000, representing a net revenue of that amount *to the taxpayer*, and, as far as he is concerned, the result may be stated thus:— Irrigation.

	Rx.
Major works: surplus of direct receipts (after payment of working expenses) and land revenue due to irrigation -	1,314,000
Minor works: receipts - - - - -	199,000
	Rx. 1,513,000
Deduct interest on Rx. 22,000,000 to Rx. 23,000,000, money actually borrowed, say - - - - -	800,000
Surplus (round figures) - - - -	700,000

It should be added that allowance is not made upon the minor works for improved land revenue. These figures, therefore, understate the real surplus. On the other hand, the State appropriates yearly from revenue to the construction and maintenance of minor works a sum of nearly Rx. 1,000,000. This course is correct, so far as repairs and maintenance are concerned, but so far as the money is appropriated to new works it is capital expenditure, and may be regarded as a form of sinking fund.

No sinking fund, however, is in fact attached to the capital debt charged against irrigation, nor is any sum set aside to provide for deterioration. All repairs are charged against revenue, unless, indeed, such repairs should amount to a reconstruction of the works.

192. The irrigation revenue is raised either by direct sale of water, or by rate levied on the occupier for the use of water, or by rate on the owner, or by navigation receipts. In 1895–6 the rates on occupiers produced Rx. 1,120,000, that on owners Rx. 54,000; navigation receipts amounted to Rx. 155,000. The occupiers' rates are assessed by the Revenue Officers of the Provincial Governments, who have full powers for that purpose. The receipts from owners' rates are small, because, when the land is re-assessed, additions due to irrigation are brought to account, not as owners' rates, but as land revenue. There is a great difference in the results shown by the several Provinces. The larger part of the occupiers' rate is paid by the North-West Provinces (Rx. 330,000), and by the Punjab (Rx. 609,000), amounting to Rx. 939,000, out of a total occupiers' rate of Rx. 1,120,000. In Madras the irrigation receipts are, in the main, brought to account with the land revenue. In Bengal the permanent settlement has been held to prevent any addition to land revenue, and receipts are confined to direct payments for water used. In short, it may be said that irrigation works result in loss, so far as Bengal and Bombay (Deccan and Gujerat) are concerned, and that the profit arises on the works in the North-West Provinces, the Punjab, and Madras.

193. The Famine Commissioners, in their recent report, compare the total areas irrigated under the three classes of productive works, protective works, and minor works, in the three years ending 1878–9, and in the three years ending 1896–7. The first and last years of those periods give the following result:—

——	Productive Works.	Protective Works.	Minor Works.	Total.
	Acres.	Acres.	Acres.	Acres.
1876–7 - -	4,027,758	—	5,448,199	9,475,957
1896–7 - -	9,448,692	323,820	7,442,990	17,215,502

The Commissioners remark on the great extensions in State irrigation which have taken place since 1880, the date of the former Famine Commissioners' Report, and on the value which has resulted therefrom to the State. They recommend further works, entailing an outlay of Rx. 12,000,000, leading to an increase of 3,820,000 acres in the area annually irrigated from assured sources of supply. If expenditure on these works continues at the average rate of Rx. 713,000, which has prevailed since 1880, it would take 17 years to complete the programme. The Commissioners note that irrigation projects require far more time in elaboration and construction

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than railways, but they recommend that the proposed works should be prosecuted as energetically as may be consistent with true economy and ultimate efficiency, even though this may involve a higher annual expenditure in the future than in the past.

Such is a brief survey of irrigation administration in India, and we have shown that the results hitherto obtained, beneficial as they are, not only do not impose any burthen on the present taxpayer, but actually produce a surplus.

(*d.*) *Railways.*

Paragraph 117. Strachey's Finance and Public Works of India, p. 91.

194. We have sketched in a previous section the policy under which the Indian Government has given assistance to railways, and we have described to some extent the development of that policy since 1850. Lord Lawrence's minute of 4th January 1869 laid it down that new lines of railway should, as a rule, be undertaken by the State, and that the cost, so far as necessity required, should be defrayed by loan. This policy was substantially adopted by the Secretary of State, and by Lord Lawrence's successor, Lord Mayo. In 1870 the first steps were taken to give effect to it. The Government of India, in determining to provide such a system of railways and irrigation as the safety and progress of the country required, recognised the fact that, for a time at least, some burthen must be placed upon the taxpayer. For several years a net charge of 1,500,000*l.* to 1,750,000*l.* had been paid by the Indian Treasury to meet the interest on Guaranteed Railway Capital. That charge was diminishing with the increase of railway traffic, and the advocates of the new policy thought that the taxpayer might fairly be asked to contribute for a further period a similar amount. In 1878 and 1879 a Committee of the House of Commons considered the whole question of loans for public works in India. They did not accept the principle upon which the Government of India had founded its policy, viz., the acceptance of a certain annual charge on the taxpayer, and the limitation of loan expenditure to an amount which would not cause a notable excess over that charge. They preferred a given yearly outlay on productive public works, and a complete separation of the public works debt from the ordinary debt, treating all capital expenditure on productive works as money borrowed by the Public Works Department. The Government adopted in the main the recommendations of the Committee, and has from that time observed them as the rule of administration.

195. We will in the first place test by results the development of Indian Railway policy. In 1854 71 miles of railway were open for traffic; 273 miles were open at the breaking out of the mutiny; 1,028 miles in 1861; in 1867, 3,588 miles; in 1875, 6,523 miles; in 1881, 9,895 miles; and in 1897, 21,015 miles, including 2,017 miles belonging to Native States.

The figures which follow illustrate the growth of traffic:—

—	1866.	1880.	1897.
	Rx.	Rx.	Rx.
Tons of goods and minerals	2,833,000	10,453,000	33,531,000
Number of passengers	12,959,000	48,041,000	151,376,000
Gross earnings	4,537,000	12,470,000	25,439,000

Where railroads carried 100 tons of goods in 1866, they carried 1,183 tons in 1897.

These results were not attained without cost to the taxpayer. Mr. Jacob placed before us a return showing the net charge to the Treasury of Indian Railways from 1849–50 to 1894–5 inclusive, Rx. 51,848,000, or an average of Rx. 1,127,000 a year. If we take the average of the 20 years to 1894–5 it was Rx. 1,268,000. These sums measure the charge on the taxpayer in the past.

During this period transport by rail has replaced throughout the greater part of India transport by cart. The average cost of cartage is said to be about 4 annas (say fourpence) per ton, per mile, or 48 pies; the average cost of rail carriage on the principal lines is $7\frac{1}{4}$ pies per ton per mile (rather more than a halfpenny). Before railways were built men travelled leisurely by palanquin at the rate of 20 miles a day. In the same time they travel now 400 miles or more. The average sum received per passenger, per mile, is $2\frac{1}{2}$ pies (not quite a farthing). Sir C. Bernard, in a memorandum presented to Parliament in 1889 said: "It has been estimated that the "producers, traders, and passengers, of India benefit to an amount corresponding to "Rx. 60,000,000 a year by reason of the cheapness of railway over the old modes of "travelling."

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There is, of course, some element of conjecture in such calculations, but the figures themselves prove beyond dispute the great economy of time and money which railroads have effected, and measure to some extent the impetus given thereby to the internal as well as the external trade of India. It seems to us that these advantages have not been dearly purchased at a cost of Rx. 1,100,000 a year.

196. But railroads not only promote commerce, they are a very important factor in protecting life against famine. The Famine Commissioners of 1880 said, "Until the "whole country is more completely supplied with railways or canals by which food "can be transported cheaply and in large quantities to every part where severe want "may exist, the possibility of some unusual demand for Government interference in "particular localities, or for special classes of people, cannot be shut out, nor the "danger of the occurrence of a great calamity altogether removed. It is therefore "to the improvement of the internal communications and the removal of all obstruc-"tions to the free course of trade, accompanied by the extension of irrigation in "suitable localities, and an improved agriculture, that we look for obtaining security "against disastrous failures of the food supply in tracts visited by droughts."

Report of the Indian Famine Commission 1898, C. 9178, p. 330.

The Commissioners estimated the length of railway which might suffice to meet these requirements at 20,000 miles. It will have been seen that in 1897 21,000 miles of railway were open, and we notice that the Commissioners who have reported on the recent famine think that "most of the necessary protective railways have now "been constructed, that there is a possibility of others being constructed on their "merits as productive works, or as feeders to the trunk lines of railway, without "assistance from the famine grant, and that under existing circumstances greater "protection will be afforded by the extension of irrigation works which would not "otherwise be undertaken than by the construction of railways of that kind."

Fowler's Return 1898.

197. We, however, are dealing with the taxpayer of the present and of the future, and we have to consider the price which he pays and will pay for the benefits which railways are conferring on India. We take the year 1895–6 as a normal year, because the railway finance of subsequent years has been unfavourably affected by the famine.

1. *State Lines.*

		Rx.
In 1895–6 the gross receipts of the State lines were		18,559,000
„ „ the working expenses were		9,041,000
Surplus		9,518,000
Interest paid in India	Rx. 3,701,000	
„ „ „ England	£3,586,000	
*Cost of exchange	Rx. 2,725,000	
		10,012,000
Net deficit on State lines		494,000

2. *Guaranteed Lines.*

		Rx.
In 1895–6 the net receipts of the guaranteed lines were		3,275,000
Interest and other charges paid in India	Rx. 533,000	
„ „ „ England	£2,162,000	
*Cost of exchange	Rx. 1,642,000	
		4,337,000
Net deficit on guaranteed lines		1,062,000

* This means that it required for the State lines

	Rx.
	3,586,000 interest
	2,725,000 exchange
	Rx. 6,311,000
To pay in sterling	£3,586,000
	Rx.
For the guaranteed lines	2,162,000 interest
	1,642,000 exchange
	Rx. 3,804,000
To pay in sterling	Rx. 2,162,000

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	Rx.
Deficit on State lines brought down - - -	494,000
,, ,, guaranteed lines - - -	1,062,000
Add charge of surveys and central establishment -	71,000
Charge on the taxpayer - - - -	1,627,000
Deduct excess of receipts over charges of subsidised companies - - - - -	7,000
Net charge on the taxpayers - - -	1,620,000

198. This charge requires further examination.

1. It is clear, in the first place, that, apart from exchange, there was a considerable profit on the railway account of (actually) Rx. 2,747,000, and the value of the rupee in exchange is therefore the principal factor in determining whether the railway account will show a loss or a profit to the State. Since the closing of the mints the gold value of the rupee has slowly risen. It is now about 1*s.* 4*d.*, and on the introduction of the gold standard into India the exchange value of the rupee will approximate to that rate. It is, therefore, interesting to ascertain what would have been the financial result to the taxpayers in 1895-6, if, in that year, the rupee had exchanged at 1*s.* 4*d.* In that case 3,586,000*l.*, payable at home in sterling, would have cost Rx. 5,379,000. The actual cost in 1895-6 was Rx. 6,311,000. This economy of Rx. 932,000, would have converted the deficit of Rx. 494,000 into a surplus of Rx. 438,000.

In like manner, 2,162,000*l.*, payable at home in sterling on the guaranteed lines, would have cost Rx. 3,243,000; the actual cost in 1895-6 was Rx. 3,804,000, and this economy of Rx. 561,000 would have reduced the deficit of Rx. 1,062,000 to Rx. 500,000. The net deficit on the State and guaranteed lines, taken together, would have been Rx. 63,000. Add the further charge of central establishment and surveys, minus excess receipt on subsidised companies, Rx. 65,000*, and the total charge on the taxpayer in 1895-6 would have been only Rx. 127,000.

Thus, with exchange at 1*s.* 4*d.*, the railway account, as presented in Sir H. Fowler's return in 1895-6, would have been almost in equilibrium, and the charge on the taxpayer would have been reduced to a minimum.

2. Some questions, however, arise on the railway account, as presented. Under the head of interest *paid in India* on account of State railways, a sum of Rx. 3,701,000 is charged. We gather from the finance accounts that that interest is charged at the rate of 4 per cent. But if this is so, and to the extent that this is so, it appears to us that an excessive charge is raised against Indian railways, for India borrows money at a much cheaper rate. Again, a part of the capital expenditure on railways has been defrayed from revenue. In the accounts between the State and the railways, this expenditure out of revenue is, of course, carried to capital account and charged with interest, but it is not borrowed money, and the taxpayer does not pay interest upon it. We should like to be assured that no such charge is included under the head of interest paid in India in Sir H. Fowler's return. If under that head any interest is charged at 4 per cent., or if any interest is charged in respect of contributions in past years from revenue, corresponding deductions should be made before we can state the true present charge on the taxpayer.

Account 49 B., p. 116, Finance Accounts of 1893-4.

3. The railways are presented in Sir H. Fowler's return, and justly so, as a commercial service; but, if so, the true commercial result should be clearly and accurately shown. We cannot think that the account, as now drawn in the return, satisfies that requirement; for, first, it includes under State lines military frontier railways, which do not even pay their working expenses. Such railways are not, in any sense, commercial undertakings. They form part of the apparatus of defence, and together with fortresses, should be charged as part of military expenditure. Secondly, it includes railways built, not as commercial undertakings or with a view to a commercial return, but as a protection against famine. We think that a return which deals with railways as a commercial service should draw a clear distinction between commercial railways, properly so called, on the one hand, and military and

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	Rx.
* Surveys - - - - - - - -	72,000
Surplus on subsidised companies - - - -	7,000
	65,000

protective railways on the other, in order that the taxpayer may understand the true result of his trade undertakings. Sir Henry Fowler's return gave, for 1893–4, a net deficit of Rx. 1,535,000 on the railway account, and Mr. Jacob laid before us a statement showing for that year an analysis of the deficit as distributed between commercial, military, and protective railways. Railways. Appendix, No. 27, Vol. II., p. 224.

	Rx.
Commercial railways deficit - - - -	51,000
Military railways - - - -	612,000
Protective railways - - - - -	765,000
Miscellaneous, chiefly survey charges, which cannot be distributed - - - - -	107,000
Total - - - - -	1,535,000

Thus, the true commercial railways showed a very small deficit, even after defraying the heavy charge of exchange.

4. The railway account is charged with interest on capital expended upon railways in progress, and therefore not earning any return. Mr. Jacob informed us that in 1893–4 Rx. 9,000,000 of capital, and in 1894–5 Rx. 11,000,000, was so engaged. Thus, railways already open and in working order had not only to earn their own charges, but they carried practically a dead weight of interest in 1894–5, which was probably equivalent to Rx. 350,000 or more.

5. The head of interest paid in England includes the sinking fund and East Indian Railway Annuities expiring in 1953, 1957, and 1958, amounting, we believe, to a sum approaching 200,000*l.*

Summary.

199. We may now sum up our review of the railway finance of the Indian Government in its relation to the Indian taxpayer.

1. Indian railways, working as a whole and including military and protective lines, pay their maintenance and interest on capital employed in their construction, and provide Rx. 300,000 or 400,000 for interest on capital sunk for the moment on lines under construction; they provide also a considerable sinking fund for one class of their indebtedness; yet earn, in addition, a large surplus, if the cost of exchange be for the moment excluded.

2. If the charge of exchange be included, this surplus is not only absorbed, but a deficit of Rx. 1,620,000 and more is incurred and falls upon the taxpayer.

3. If the military and protective lines which are not in any sense commercial undertakings are kept distinct, the true commercial lines earn enough to pay their own charges and the heavy cost of exchange, and to provide besides the interest on capital sunk for the moment in unfinished railways and the sinking fund described above, leaving only a small deficit of 100,000 to 150,000 Rx. to be met by the taxpayer.

4. If the gold value of the rupee approximated to 1*s.* 4*d.*, the true commercial lines after meeting the charges enumerated in the previous paragraph would show a substantial surplus.

5. If the rupee attained that value, the State railways as a whole, including military and protective lines, would nearly meet all their charges, leaving only a comparatively slight deficit for the taxpayer.

Lastly, if the interest brought to account in Sir H. Fowler's account as paid in India be based in all or in part on 4 per cent. as the rate of interest, or if interest is charged on surplus revenue laid out in former years on the construction of railways, the charge on the present and future taxpayers should be proportionately reduced, and the favourable results which we are now summarising, would be proportionately improved.

200. The policy under which capital expenditure amounting to Rx. 288,000,000* has been incurred must give opportunity for wide differences of opinion. Some may think that progress has been too fast, some that it has been too slow. There may be legitimate questions as to the manner in which money for these great works has been raised, or as to the amount of outlay on working expenses. There is no necessity for us to enter on these questions. We deal with the facts as they are, and on these facts we think that the Indian taxpayer of the present obtains, even on the

* *See* Administration Report on the Railways in India for 1898–9, page 8, paragraph 9.

Railways.

railway account as presented in Sir H. Fowler's return, the benefit of a vast railway system at a comparatively light cost; that the fall in exchange has subjected the financial result of the Government railway policy to very severe trial; that, if the loss on purely military lines were transferred to military expenditure, and, if the charge of famine protective lines and of lines under construction were eliminated, there would be no charge on the taxpayer—in other words, that the true commercial lines pay their way; and that there is a fair prospect with improved exchange that the charge on the taxpayer will, even on the account as at present presented, entirely disappear. If a fair and constant surplus should hereafter be realised, it will be reasonable subject for consideration whether larger sums might not with advantage be devoted to improvement of the lines, but we quite understand that the Indian Government make it an object in the first instance and within reasonable limitations to relieve the taxpayer of any charge in respect of railway administration.

IV.—Expenditure on Defence and Foreign Affairs.

(*a*) *General Remarks.*

201. We now come to the second of the two great sections into which we have divided the Indian Budget of expenditure, viz., defence and foreign affairs. We compare, in the first place, the cost of these services, as far as we can ascertain it in 1856–7, the year before the Mutiny, with their cost in 1862–3, the year in which the Mutiny expenditure had come to an end, and in which, therefore, a normal rate of expenditure under the new form of government had been established.

Parliamentary Paper, No. 354 of 1862, p. 10.

The Indian Government, in their despatch of 2nd May 1861, stated that, in April 1857, or immediately before the Mutiny, the total established strength of the Indian Army was:—Europeans, 45,522; natives, 266,852; and military police, 38,977.

"The cost of this army was, in round numbers, 11,500,000*l.* a year in India, and "1,250,000*l.* in England; but this was below the proper cost, as it was only attained "by allowing the 'effective' European force to remain dangerously below its "'established' strength. The real cost should have been about 12,000,000*l.* in India."

Parliamentary Paper, No. 86 of 1881, Appendix p. 112.

The actual gross cost of the Army in India in 1856–7 was 11,492,000*l.* The departmental military receipts amounted to 502,000*l.*, leaving a net charge on the taxpayer of 10,990,000*l.* If we add the additional service which the Indian Government thought necessary in order to arrive at the proper cost of the Army, we shall have a net charge for the Army in India, before the Mutiny, of 11,500,000*l.* The actual Home charges of the Indian Army in 1856–7 were 1,990,000*l.** The charge for military works in 1856–7 was Rx. 747,000; but this was unusually high, the average of the four years before the Mutiny being over 560,000*l.* There was no separate item of political charges in 1856–7. At the close of the Mutiny they appear to have varied from Rx. 170,000 to Rx. 190,000. On these data we may estimate the normal net cost of defence and foreign affairs before the Mutiny:—

	£
Army in India	11,500,000
Home charges	1,990,000
Military works (average)	560,000
Estimated contribution to military pension fund, say	100,000
	14,150,000
Add Marine, say	790,000
Political charges, say	100,000
	15,040,000
Total defence and foreign affairs expenditure before the Mutiny, say	15,000,000

In 1861–2 the Mutiny expenditure came to an end. The net military expenditure in India in the year 1862–3 was Rx. 11,726,000, and we shall show that a normal rate of expenditure had then been reached.

The Home charges were 2,640,000*l.*

* Account of Home charges in Appendix to Blue Book, Reduction of expenditure in India, 1885.—Statistical Abstract, 1840–65, p. 70. There are some receipts to be set against the charge for works—possibly Rx. 30,000 to Rx. 40,000.—On the other hand the cost of establishment and plant does not appear to have been included.

The charge for military works was Rx. 598,000, subject to the remark in the note on the charge for military works in 1856–7.

On these data we estimate the net cost of defence and foreign affairs in 1862–3, as follows :—

	£
Army in India - - - - - -	11,726,000
Home charges - - - - -	2,640,000
Military works - - - - -	598,000
Contribution to pensions charged on military fund, say -	100,000
	15,064,000
Marine - - - - - -	486,000
Political - - - - - -	313,000
	15,863,000

The charge therefore of defence and foreign affairs before the Mutiny may be estimated at Rx. 15,000,000; on the close of the Mutiny at Rx. 15,860,000.

The last named amount is the starting point for our comparison.

We consider, first, the course of military expenditure in India from 1862–3 to 1896–7, secondly, the Home charges of the Indian Army during the same period.

(*b*) *Army Expenditure.*

(1.) *In India.*

202. The total net expenditure in India* on the Army was, in the years which we have selected, as follows:—

	£		£
1856–7 - -	11,500,000	1892–3 - -	14,799,000
1861–2 - -	12,726,000	1893–4- - -	15,197,000
1862–3 - -	11,726,000	1895–6 -	17,275,000
1875–6 - -	10,787,000	1896–7 - -	16,437,000
1884–5 - -	11,293,000		

It will be seen that the expenditure divides itself into two well-marked periods, the first ranging from 1862 to 1884, the second from 1884 to 1897.

The First Period.

203. During the first period military expenditure in India was stationary. In 1862–3 it was 11,726,000, and we may say that the average expenditure during the 16 years from 1862 to the Afghan war was a little less than Rx. 11,600,000, although that period included two years of somewhat high expenditure, 1864 and 1865, while the expenditure in the two years succeeding the year of the Afghan war expenditure, 1883 and 1884, averaged only 11,171,000. The expenditure in the closing years of the period was, therefore, less than at the outset. This result was chiefly due to the efforts of the Indian Government for economy. In 1879 they appointed a powerful commission under Sir Ashley Eden, to inquire into the organisation and expenditure of the army in India. In their letter of instruction to the President of the Commission they stated that the heavy loss in the revenue of India, caused by the unfavourable rate of exchange, had rendered extensive reductions in public expenditure imperatively necessary, and that the Commission was appointed to assist the Government in determining what share of this unavoidable reduction could be borne by the military charges without injury to the general efficiency of the Army. In consequence of the recommendations of this Commission, reductions amounting to a net sum of Rx. 1,032,000 were effected. During the latter part of this period the exchange on England was falling. The rupee, which in 1862–3 had been worth nearly 2*s.* in exchange, fell in 1884–5 to 1*s.* 7½*d.*, and the charge of the British soldier, who was entitled to receive his pay in sterling or its equivalent in rupees, increased correspondingly.

* In 1884–5 and the subsequent years the fall in exchange entailed additional payments in India (included in the above figures) on account of the pay of British troops and compensation to officers (*see* paragraph 205 (*a*)) amounting in—

	Rx.		Rx.
1884–5 to - - -	184,000	1895–6 to - -	1,726,000
1892–3 „ - - -	612,000	1896–7 „ -	1,500,000
1893–4 „ - -	1,117,000		

The Second Period.

Army Expenditure in India.

204. The second period shows an increase in expenditure of rather more than 45 per cent. The period is marked by a heavy fall in exchange, by an increase of 10,000 men in the British force, and 20,000 men in the Native Army, by the acquisition of Burma and by several expeditions.

Appendix, No. 45, Vol. II., p. 171.

205. The Indian Government describe thus the causes of increase in the second period :—

a. Fall in the rate of sterling exchange for the pay of British troops, &c. The fall in the exchange was from 1*s.* 7½*d.* in 1884–5 to 1*s.* 2¾*d.* in 1893–4, involving an increased payment of Rx. 1,117,900, including compensation to officers (which, with a further fall in the exchange to 1*s.* 1½*d.*, had increased in 1896–7 to Rx. 1,500,000).

b. Increased annual cost of requirements of troops owing to augmentation of strength, and the provision of improved weapons, resulting in :

(1) increased purchases of horses;

(2) increased clothing supplies (clothing material is bought to a greater extent in India than formerly);

(3) increased medical supplies (more medical supplies are bought now in India than formerly);

(4) increased supervision at and out-turn from ordnance factories, depôts, and arsenals; additional ammunition is issued, because the scale of annual practice is increased; increased employment of skilled artizans for charge of ordnance in coast defences; increased cost in connection with the issue of ammunition and equipments to troops of Native States;

(5) improved musketry instruction;

(6) the maintenance of a larger supply of transport animals, carts, and gear, and increased establishments for their care to secure celerity in the mobilisation of the army;

(7) the gradual increase of the volunteer force;

(8) more rewards for military services due to field operations;

(9) the working of the new pension rules for the native army (1886).

Sir E. Collen also laid stress on the increase of expenditure in improving the sanitary conditions of the military stations.

206. He analysed for us the progress of the different grants through which the military expenditure of India is distributed, between the years 1875 and 1893.

The three principal grants are—

—	1875–6.	1884–5.	1893–4.
	Rx.	Rx.	Rx.
No. 3. Pay and allowances - -	6,500,000	6,170,000	7,890,000
„ 4. Commissariat - -	1,941,000	2,202,000	3,403,000
„ 10. Ordnance - - -	571,000	497,000	830,000
	9,012,000	8,869,000	12,123,000

These services make up three-quarters, or more than three-quarters, of the total expenditure.

207. *Grant* 3. *Pay and Allowances.* — Certain medical establishments, costing Rx. 247,000, were transferred, in the first period, from this grant to Grant 9, Medical Services. Improvements were made in the Native Army costing Rx. 120,000. Reduction gradually took place in the number (redundant) of officers kept on the active list after the Mutiny, and some of the reductions recommended by the Army Re-Organisation Commission were carried into effect.

The increase in the second period is due to the causes described at large in the preceding paragraph.

208. *Grant* 4. *Commissariat Establishments, Supplies, and Services.*—The increase in the first period is almost entirely due to the fact that in 1875–6 the greater part of the malt liquor required for the troops was imported from England, and therefore appeared under the head of expenditure in England. In 1875–6 beer was bought locally in India to the value of Rx. 41,527, and imported from England to the value of Rx. 271,760. At the close of the period there was practically no import from England. There were, however, in that period other causes of increase, such as the creation of a transport establishment after the Afghan war, and increase of cost in price of provisions, or in the allowances granted in lieu of provisions. Such increases appear to have been balanced by reductions on other heads.

Army Expenditure in India.

Appendix No. 48, Vol II., p. 188

The second period shows an increase of Rx. 1,201,000 over the first. The increase in the Army will account for a part; the remainder represents the result of an increase of cost in articles of consumption. The Native soldier is entitled to draw compensation for dearness of provisions when the aggregate cost of his food exceeds 3 rupees 8 annas, which is held to represent the normal monthly cost of his ration. Charges for compensation must be based upon the prices of food-grains current in the nearest large market, authenticated by the civil officer in charge of the town or district. Sir E. Collen informed us that the Military Department had been unable to separate the increase of charge due to the increase of the Native Army from the increase of charge due to rise in the price of provisions, and we can understand the difficulty of ascertaining the true financial results of additions to the food allowance, which vary or may vary with every station in India. The increase in the Native Army between 1875 and 1893 was 17½ per cent.,* while the items of provision for Native soldiers and compensation to Native soldiers for dearness of provisions, rose from Rx. 65,000 to Rx. 539,000; an increase of Rx. 474,000; but we do not know how these figures compare with the normal allowance for provisions included, we understand, with the pay of the Native forces. The increase as shown is very large, and we think that, as the extra allowance is intended only to countervail a real increase in price, the Indian Government should ascertain whether it only effects that object. The other main causes of increase in this grant arise on (1) the charge in the transport arrangements, and (2) the charge of feeding animals.

Appendix No. 15, Vol. II., p. 185.

Grant 10.—*Ordnance Establishments, Stores, and Camp Equipage.*

209. The expenditure was fairly stationary during the first period. The second period is marked by the development of manufacture in India and increase in cost of ammunition and equipments. One notable point is the substitution of purchases in India for purchases at home.

210. We only note certain points in the remaining grants.

211. *Grant* 5.—*Remount and Veterinary Grant.*

1875.	1884.	1893.
Rx. 162,000	Rx. 159,000	Rx. 298,000

There would have been an increase in the first period, but for transfers which were made from this to other grants. The old stud department was abolished, and replaced by the new army remount establishment. The Government no longer breeds horses, it encourages breeding at apparently an increased charge of Rx. 100,000. In dealing with all these grants the increase of the army in the second period must always be borne in mind.

212. *Grant* 6.—*Clothing.*

1875.	1884.	1893.
Rx. 115,000	Rx. 139,000	Rx. 243,000

* From 123,867 to 145,636 of all ranks.

Army Expenditure in India.

The increase in the first period is largely due to the Government buying in India materials previously bought at home.

—	1884.	1893.
	Rx.	Rx.
The clothing bought in India, cost -	139,000	243,000
" " " England, cost -	291,000	331,000

In the second period considerable changes were made in the clothing system for the advantage of the soldier, but the payment for exchange was increased by Rx. 74,000. It is not, however, clear that the changes were altogether economical.

213. *Grant* 8.—*Martial Law.*

1875.	1884.	1893.
Rx.	Rx.	Rx.
32,000	28,000	41,000

Considerable reductions took place in the first period, which were reversed in the second.

214. *Grant* 15.—*Volunteer Corps.*

1875.	1884.	1893.
Rx.	Rx.	Rx.
15,000	68,000	177,000

215. *Grant* 18.—*Military Pensions to Natives.*

1875.	1884.	1893.
Rx.	Rx.	Rx.
513,000	664,000	726,000

Improved pensions were given in 1878. The Afghan war led to an increase in the pension list.

216. *Grant* 20.—*Departmental Pensions.*

1875.	1884.	1893.
Rx.	Rx.	Rx.
23,000	45,000	60,000

The increase is due to reorganisations.

217. Thus the marked distinctions which characterise the two periods as a whole, apply also to the chief grants when examined in detail. Expenditure during the first period is stationary; the second period is an advance along the line.

(2.) *In England, excluding Exchange.*

218. The total net Army expenditure at home was in:—

	£		£
1856–7 - - -	1,898,000	1892–3 - - - -	4,842,000
1861–2 - - -	2,525,000	1893–4 - - -	4,368,000
1862–3 - - - -	2,640,000	1895–6 - - -	4,060,000
1875–6 - - -	3,476,000	1896–7 - - - -	4,133,000
1884–5 - - -	3,907,000		

This expenditure was divided into effective and non-effective charges.

219. (i.) *Effective Charges.*

Army Expenditure in England.

	1856–7.	1862–3.	1875–6.	1884–5.	1895–6.	1896–7.
	£	£	£	£	£	£
Payments to Home Government on account of British forces in India.	250,000	675,000	319,000	530,000	†681,000	708,000
Pay of regiments proceeding to and from India.			18,000	9,000	11,000	11,000
Furlough allowances -	158,000	173,000	318,000	234,000	306,000	319,000
Transport service -	46,000	140,000	267,000	308,000	242,000	206,000
Miscellaneous payments	72,000	21,000	2,000	7,000	19,000	9,000
Stores for India - -	*say 600,000	*say 500,000	1,095,000	462,000	495,000	524,000
	1,126,000	1,509,000	2,019,000	1,550,000	1,754,000	1,777,000

Three causes have contributed to the increase upon the first head. (1) The increase of the British Army in India since 1884–5. (2) The increase in the capitation rate per effective man paid to the Home Government in respect of recruiting, training and other depôt services. Upon the advice of Committees appointed to inquire into the subject, the capitation rate has (to put the case briefly) been raised from 4*l.* 12*s.* 6*d.* in 1875–6 to 7*l.* 10*s.* in recent years. This point will be more fitly considered under the head of apportionment of charge. (3) The introduction since 1875 of deferred pay, amounting to more than 200,000*l.*

Appendix No. 13, Vol. II., p. 173.

Upon the third head, furlough allowances, we understand that the rates of furlough pay have been somewhat reduced, although the amount of leave granted is more liberal. At all events, this head of service is not increasing.

There has been considerable variation on the fourth head—transport service. Formerly vessels belonging to the Government of India were employed on this service. It is now conducted by hired vessels. But the cost previous to and apart from this charge has diminished of late years. The average gross charge for 12 years, 1875 to 1886, was 338,000*l.*, and of six years, 1887 to 1892, was 238,000*l.* Thus a great decrease took place during the time that the Indian troopships were conducting the chief part of the service. The Indian Government would have preferred to employ some of their own Indian Marine vessels as well as hired ships for the purpose. The low freights that have ruled for many years doubtless encouraged the opinion that the hiring system would be economical. The charge is apparently not expected to increase under ordinary demands of the service.

Q. 6722.

Q. 2574.

We have mentioned more than once that it is the policy of the Indian Government to buy their stores in India, whenever that course is economically practicable. In 1875–6 army stores, costing 1,096,947*l.*, were sent to India. During the 12 years from 1878–9 to 1889–90 the cost of these stores averaged 612,645*l.* During the next three years they averaged a little over 1,000,000*l.* This temporary increase is due, we understand, to the arming of the troops with new weapons. In 1897–8, the charge for stores fell to rather under 530,000*l.* The following figures illustrate the course of supply from England under the different heads:—

H.C. 20 of 1894.

	Clothing.	Medical.	Commissariat.	Ordnance and Miscellaneous.	Malt Liquor.	Total.
	£	£	£	£	£	£
Average of five years 1885 to 1889 -	253,000	33,000	45,000	269,000	21,000	621,000
Average of three years 1890–2 -	213,000	41,000	42,000	707,000	5,000	1,008,000

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* In these years the accounts did not show *military* stores separately. The *total* expenditure on stores was in 1856–7 Rx. 958,070; in 1862–3 Rx. 696,000.

† Including 11,000*l.* for arrears.

Army Expenditure in England.

220. (ii.) *Non-effective Charges.*

	1856–7.	1862–3.	1875–6.	1884–5.	1895–6.	1896–7.
	£	£	£	£	£	£
1. Payments to Home Government on account of British forces in India.	60,000	233,000	350,000*	800,000	430,000	469,000
2. Pay of non-effective Colonels of Royal Artillery.	—	—	(included in effective charges in this year)	31,000	24,000	23,000
3. Pay and pensions of non-effective and retired Indian officers.	629,000	794,000	984,000	1,424,000	1,755,000	1,768,000
4. Miscellaneous pensions	83,000	104,000	123,000	102,000	97,000	96,000
	772,000	1,131,000	1,457,000	2,357,000	2,306,000	2,356,000

* The capital sum paid in this year was unduly small.

Under item 1 we cannot compare the payments made before 1884–5 with the payments made in the year 1892–3, because under the system in force between 1870 and 1884 inclusive, India extinguished the liability for her share of the pension of a British soldier who had served in India by the payment of a capital sum down.

In 1885 the system was changed, the principle of a capital payment was abandoned, and she now pays yearly her share of the pension of each pensionable soldier retiring since 1st April 1884. As the pensions of soldiers retiring before that date had been commuted, the present arrangement has not yet attained its normal proportions, and an increase must be expected. On the other hand, soldiers' pensions under the short service system constitute a charge much less than that which would have accrued under the long service system.

Thus effective comparison can only be instituted between the three last items in the account, and, making an addition in the year 1875–6 for item 2, we get the following round figures:—

1856–7.	1862–3.	1875–6.	1884–5.	1895–6.	1896–7.
£	£	£	£	£	£
713,000	898,000	1,140,000	1,557,000	1,876,000	1,887,000

The increase under item 3, "Pay and Pensions of Indian Officers," is very formidable.

Appendix No. 24, Vol. II., p. 221.

Mr. Jacob placed before us a return analysing this increase in various years between 1875–6 and 1893–4. The return is divided into two chief heads, viz., "Colonels' allowances" and "Retired pay." In 1875–6 there were 201 officers drawing Colonels' allowances to the amount of 210,134*l.* In 1893–4 there were 501

Q. 10,714. officers, drawing 535,668*l.* We understand that the increase is due to the decision under which all officers of the Staff Corps, whatever their position, became entitled to Colonels' allowances after 38 years' service. The charge is still rising, and the Indian authorities compute that it will not reach its maximum till 1900 or 1901. It will be seen that the pension averages more than 1,000*l.* a year for each officer, and it is attainable as a matter of course by all officers who entered the service before 1881. It is undoubtedly a very heavy charge on the taxpayer.

Under the head of retired pay there is an increase of 475,000*l.* It appears to be due chiefly to an increase in the scale of pensions, as the numbers under most of the ranks are stationary; for instance, in 1875–6 there were 1,399 infantry and cavalry officers of the Staff Corps, drawing pensions amounting to 403,499*l.* In 1893–4 there were only 1,370 such officers, yet they drew 611,848*l.*, an increase of more than 50 per cent. of charge for a somewhat smaller number of officers. Again, in 1875–6 418 medical officers drew 126,683*l.*, and in 1893–4 431 medical officers drew 192,167*l.* In 1875–6 97 ecclesiastics drew pensions amounting to 27,286*l.*, while in 1893–4 151 ecclesiastics drew 46,433*l.*

Mr. Jacob informed us that the scale of pensions for all ranks of the Staff Corps was increased, adding that special pensions were offered with a view to reduce the ultimate charge for Colonels' allowances—a point to be remembered when the actual charge of the colonels' allowances is considered. Army Expenditure in England. Q. 10,716.

The pension charge of the ecclesiastical section appears to us remarkable. The non-effective charge was 27,286*l.* in *sterling* 1875–6, and no less than 46,433*l.* *sterling* in 1892–3, and, if the cost of exchange be taken into consideration, the charge on the taxpayer is very heavy. In 1875–6 there were 97 ecclesiastics on pension; in 1893–4 there were 151 on pension, a great increase on an active establishment, which is comparatively stationary in its strength. We gather that the ecclesiastical chapter in the military budget only provides for Presbyterian and Non-conformist clergy, and Roman Catholic priests, attached to particular regiments; the clergy of all denominations not so attached are paid from the civil ecclesiastical grant, and Mr. Jacob informed us that there were 147 fully paid chaplains on the civil establishment in 1895–6. If we make allowance for the comparatively small number of chaplains of other persuasions, we believe that the number of ecclesiastics on pension must bear an unusual proportion to those on active service.

We recommend that in the case of this grant, as in that of the civil pension grants, an actuarial report should be obtained, showing the amounts under the present regulations which may be expected to represent the normal non-effective charge of retired officers, and the proportion which non-effective service will bear to effective service for each class of officers.

The Miscellaneous Pensions consist, in part of a diminishing charge, in part of Indian Service family pensions, of which the charge increases, but the payments are said to be met from subscriptions realised. Appendix No. 13, Vol. II., p. 168.

Exchange.

221. In the earlier years exchange was fairly steady at about 2*s.* to the rupee. In 1875–6 the exchange had only recently begun to fall, and only Rx. 3,858,000 were needed to pay the home charge of 3,476,000*l.* In 1884–5 Rx. 4,856,000 were needed to pay the home charge of 3,907,000*l.* In 1895–6 Rx. 7,146,000 were needed to pay the home charge of 4,060,000*l.* In 1896–7 Rx. 6,865,000 were needed to pay the home charge of 4,133,000*l.*

The practice of the Indian Government, as we have said, is to measure the additional burthen thrown upon the Indian Exchequer by the difference between the number of rupees required to meet the sterling charge at 2*s.* to the rupee and the number of rupees actually required to meet the payment. For instance, that difference would be represented in 1875–6 by Rx. 382,000. But we have pointed out that upon the ratio of 1 to $15\frac{1}{2}$ formerly prevalent between gold and silver, the rupee was only worth 1*s.* $10\frac{5}{8}d.$; and that the rupee during the 12 years ending with 1872–3 realised, on the average, only 1*s.* $11\frac{3}{8}d.$ If the standard value of the rupee were taken at 1*s.* $10\frac{5}{8}d.$ the difference would be reduced to Rx. 171,000; if at 1*s.* $11\frac{3}{8}d.$ to Rx. 289,000. Thus, in recent years, after making allowance for the difference between the average value of the rupee in former times, and its conventional valuation, the loss was very great, especially if the addition to the British soldiers' pay in India consequent on the fall in exchange be taken into reckoning, for in 1885–6 the Indian authorities calculate this increasing charge to have been Rx. 224,000, in 1892–3 Rx. 592,000, and in 1895–6 Rx. 1,156,000. The extra burthen on the taxpayers applies especially to pensions. In the case of stores, the low prices which have prevailed in England may have afforded some set-off against the larger number of rupees required for the purchase of stores here, but no corresponding set-off can be found for pensions and similar dead-weight charges payable at home.

At the beginning of this section, dealing with army expenditure in England, we stated the net expenditure in certain years *excluding* exchange. We now give the net expenditure in England *including* exchange:—

	Rx.		Rx.
1856–7	1,898,000	1892–3	7,756,000
1861–2	2,525,000	1893–4	7,207,000
1862–3	2,640,000	1895–6	7,146,000
1875–6	3,858,000	1896–7	6,865,000
1884–5	4,856,000		

Army Expenditure in England and India.

222. We state also the whole Army expenditure charged to the Army Budget in India and in England, including exchange:—

	Rx.		Rx.
1856–7 - -	13,398,000	1892–3 - -	22,555,000
1861–2 - -	15,251,000	1893–4 - -	22,404,000
1862–3 - -	14,366,000	1895–6 - -	24,421,000
1875–6 - -	14,645,000	1896–7 - -	23,302,000
1884–5 - -	16,149,000		

(3.) *Military Works.*

223. Military works are not provided in the Military Budget, but their cost must, of course, be added to the expenditure of the Army. The net figures are as follows:—

	Rx.		Rx.
1856–7 - - (say)	600,000	1892–3 - -	1,152,000
1861–2 - -	511,000	1893–4 - -	1,135,000
1862–3 - -	598,000	1895–6 - -	1,156,000
1875–6 - -	1,321,000	1896–7 - -	1,096,000
1884–5 - -	909,000		

(4.) *Special Defences.*

224. Expenditure was also incurred on special defence works:—

	Rx.		Rx.
1856–7 - -	——	1892–3 - -	458,000
1862–3 - -	——	1893–4 - -	325,000
1875–6 - -	——	1895–6 - -	101,000
1884–5 - -	——	1896–7 - -	95,000

(5.) *Military Pensions formerly payable from certain Military Funds.*

225. We noted in the section of our Report which deals with the expenditure on Civil pensions, that that chapter of the Budget contained provision for military pensions, formerly payable out of certain military Funds. There were four of these Funds—the Bengal Military Fund, the Madras Military Fund, the Bombay Military Fund, and the Bengal Military Orphan Fund.

Appendix, No. 34, Vol. II., p. 231.

When the local Army for India was discontinued, and the Staff Corps was organised, the Secretary of State announced that the Government would assume charge of these Military Funds, as far as might be necessary to maintain existing pensions and to secure to subscribers and their families the benefits to which they were entitled under the former system, the assets being taken over by the Government, but subscriptions at the existing rates continued. Requisite powers for this object, by the Act 29 Vict. c. 18, and the transfer, were effected in September 1866. The capital of the Funds at that date amounted to Rx. 3,170,198.

The securities constituting this capital were transferred to the Government, and each year a part of the capital was applied sufficient to meet the net charge of the pensions after deduction of subscriptions, until each Fund was exhausted. The capital was thus absorbed long before the pensions had reached their maximum figure.

Appendix, No. 34, Vol. II., p. 230.

Mr. Jacob has analysed the charge incurred by the State upon each of the Funds for the years 1875–6 and 1893–4, with the following general result:—

——	1875–6.	1893–4.
	Rx.	Rx.
Gross charge, including Exchange - -	603,079	992,738
Subscriptions and contributions from Capital -	466,159	164,527 (subscriptions only).
Net charge - -	136,920	828,211

	Rx.
Net exchange, 1875–6 - - - -	46,140
1893–4 - - - -	330,760

Mr. Jacob stated that the net charge was still increasing in 1896, but that it was approaching its maximum, and would in a few years begin to diminish and would eventually disappear.

We do not think that the course adopted by the Indian Government was sound economically, or just to the general taxpayer. Governments not unfrequently undertake supervision over the expenditure of subordinate authorities in order to "guard the inheritance," that is, to check any tendencies on the part of the authority to favour the taxpayer of the present at the expense of the taxpayer of the future. It is a sound rule, and we fear that in this case the Government of 25 or 30 years ago transgressed it to the damage of the present taxpayer. On the one hand, it must not be forgotten that subscribers to the fund had, with the assistance of the Government, provided a fund which, if administered with due regard to the interest of the taxpayer, would be greatly diminishing the charge at the present time. On the other hand, the Government gave the fund away, and the taxpayer of the present has to bear the dead weight of the whole burthen.

(6.) *Military Railways.*

226. One other item of Military expenditure requires notice. In a former section of our Report we endeavoured to show the financial result to the taxpayer of the railways which the Indian Government had undertaken as productive works, and we drew a distinction between commercial railways, properly so called, and railways constructed for military purposes. We propose in this summary of military charges to class the latter, which do not in many cases even pay their working expenses, with military works, and to consider the deficit arising upon them as part of the Military expenditure of India. The Indian Railway Accounts formerly did not separate the finance of the military lines from that of the commercial lines. Mr. Jacob, however, analysed for us the deficit on the Railway Account in the years 1885–6, 1889–90, and 1893–4, and he calculated that the net cost of military lines to the Government was Rx. 95,272* in 1885–6, Rx. 389,928 in 1889–90, and Rx. 612,269 in 1893–4.

Appendix, No. 34, Vol. II., p. 224.

(7.) *Summary of Army Expenditure.*

227. We are now in a position to state approximately the whole of the military expenditure in the years 1856–7, 1861–2, 1862–3, 1875–6, 1884–5, 1895–6, and 1896–7:—

—	1856–7.	1861–2.	1862–3.	1875–6.	1884–5.	1895–6.	1896–7.
	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.
Net Army expenditure	13,398,000	15,250,000	14,366,000	14,645,000	16,149,000	24,421,000	23,302,000
Military works -	say 600,000	511,000	598,000	1,321,000	909,000	1,156,000	1,096,000
Special defence works	—	—	—	—	—	101,000	95,000
Pensions formerly charged on Military Funds - - -	say 100,000	say 100,000	say 100,000	137,000	482,000	876,000	840,000
Net cost of military lines to taxpayer -	—	—	—	156,000	–25,000	658,000	640,000
Total -	14,098,000	15,861,000	15,064,000	16,259,000	17,515,000	27,212,000	25,973,000

Army receipts were high in 1875–6, and the pensions formerly charged on Military Funds, if they had not been aided by a contribution from the capital of those funds, would have been higher by Rx. 194,000.

* Only one section of the military lines was open in this year, and a separate return for it could not be obtained; that section, therefore, is included in the commercial lines for that year. The Administration Reports give the net cost of all military lines as Rx. 464,408 in 1889–90, Rx. 606,127 in 1893–4, and Rx. 640,506 in 1896–7.

(c.) *The Indian Marine.*

228. The Indian Marine budget includes pilotage and other services, which may more properly be classed as belonging to Civil administration; but as those services are covered, or to a great extent covered, by receipts, the net expenditure represents, we think, approximately Navy charges.

Gross Effective Charge.	Receipts.	Year.	Effective Net Charge, including Exchange.	Non-Effective.*	Total.
Rx.	Rx.		Rx.	Rx.	Rx.
596,000	230,000	1875–6	366,000	70,000, including exchange.	436,000
532,000	166,000	1884–5	366,000	74,000 „ „	440,000
857,000	157,000	1892–3	700,000	98,000 „ „	798,000
754,000	152,000	1893–4	602,000	93,000 „ „	695,000
743,000	169,000	1895–6	574,000	97,000 „ „	671,000
720,000	160,000	1896–7	560,000	95,000 „ „	655,000

* NOTE.—The Marine Pension charge is made up of various items:—

	1875–6.	1884–5.	1892–3.	1893–4.	1896–7.
	Rx.	Rx.	Rx.	Rx.	Rx.
1. The Indian Navy fund pensions paid in England, with the other pensions formerly charged on special funds (an expiring charge)	9,392	25,597	33,812	35,355	36,216
2. Pensions of late Indian Navy, paid in England under head of superannuations and allowances (an expiring charge)	55,050	28,826	33,544	30,166	26,336
3. Royal Indian Marine Pensions paid in England under head of superannuations (a new and growing charge)	—	—	9,008	8,977	12,569
4. Pensions of pilots paid in England	not shown separately.	9,416	10,037	11,260	12,109
5. Marine pensions paid in India	5,471	10,248	11,818	7,609	7,565
Total	69,913	74,087	98,219	93,367	94,795

Up to the year 1880–1 the cost of the last item was included in the charge of effective service.

Remarks on this service will find their place in the division of our Report which deals with the apportionment of charges between England and India.

(d.) *Political Service.*

229. Political service represents the cost of the Foreign Office in India. The charges included in this chapter belong to foreign policy rather than to domestic administration; we therefore class them under the head of Defence and Foreign Affairs. They comprise charges incurred on the north-west frontier, frontier levies, political subsidies to the Ameer and others, special missions. This service cost in—

	Rx.		Rx.
1856–7	119,000	1892–3	842,000
1861–2	233,000	1893–4	966,000
1862–3	313,000	1894–5	898,000
1875–6	432,000	1895–6	1,062,000
1884–5	799,000	1896–7	1,003,000

Summary of Defence and Foreign Affairs.

230. We summarise the whole expenditure incurred on defence and foreign relations.

	*1856–7.	1861–2.	1862–3.	1875–6.	1884–5.	1895–6.	1896–7.
	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.
Army expenditure	14,098,000	15,861,000	15,064,000	16,259,000	17,515,000	27,212,000	25,973,000
Marine	783,000	563,000	486,000	436,000	440,000	671,000	655,000
Political	119,000	233,000	313,000	432,000	799,000	1,062,000	1,003,000
Total	15,000,000	16,657,000	15,863,000	17,127,000	18,754,000	28,945,000	27,631,000

* The figures for 1856–7 are prepared on a different basis from the accounts of later years, and are not absolutely comparable with them. They may, however, be taken as approximately similar.

Increase between	1856–7	and 1862–3	5½ per cent.
,,	,,	1862–3 and 1875–6	8 ,,
,,	,,	1862–3 and 1884–5	18 ,,
,,	,,	1875–6 and 1884–5	9½ ,,
,,	,,	1884–5 and 1896–7	47 ,,
,,	,,	1875–6 and 1896–7	61 ,,
,,	,,	1856–7 and 1896–7	84 ,,

LIBRARY OF THE BOMBAY BRANCH OF THE ROYAL ASIATIC SOCIETY

CHAPTER III.

I.—APPORTIONMENT OF EXPENDITURE BETWEEN THE UNITED KINGDOM AND INDIA.

231. We proceed to discuss, in the third place, that branch of our reference which directs us to inquire into the apportionment of charge between the Governments of the United Kingdom and India for purposes in which both are interested.

We are somewhat embarrassed as to the meaning of the phrase. The United Kingdom is, in one sense, interested in the whole Government of India, and it may be said that India is interested in the Government of the United Kingdom, but this can scarcely be the meaning of the reference.

232. There are, however, a number of services in which the two Governments are held to have a common interest. There are also claims upon India for charges incurred at home on account of the Queen's army in India. Lastly, there is the contribution which India makes on account of naval charges.

These various services may be classified as follows:—

(1.)—Civil and Miscellaneous Charges.

(*a.*) The India Office.
(*b.*) Aden.
(*c.*) The Persian Mission.
(*d.*) The China Diplomatic and Consular Establishment.
(*e.*) The Zanzibar and Mauritius Telegraph.
(*f.*) The Red Sea and Indian Telegraph.
(*g.*) The Euphrates, Tigris, and Karun River Subsidies.
(*h.*) The Eastern Mail Subsidy.
(*i.*) The Jeddah Consulate.
(*j.*) The Chiengmai Vice-Consulate.
(*k.*) Réunion and Surinam Consulates.
(*l.*) Voluntary Contributions.

(2.)—Army Charges, including the Cost of Expeditions beyond the Indian Frontier.

(3.)—Naval Charges.

(1.)—Civil and Miscellaneous Charges.

(*a.*) *The India Office.*

233. The charge of the India Office is at present borne entirely by India.

It may, however, be urged that, in a special sense, both the United Kingdom and India are interested in that organisation which exists in the capital of the Empire, and there brings together in a kind of co-ordination the Government of India and of the United Kingdom, and we have considered the question whether the charge of this organisation is not a proper subject of apportionment.

Light is thrown on this subject by a study of the treatment of similar questions in relation to Colonies, whether Crown or self-governing.

Historical circumstances explain the origin of the difference, but in relation to the Colonies the ultimate solution arrived at is:—

The United Kingdom pays the whole cost of the Committee of its own Government which represents it in relation to the Colonies.

The Colony pays the whole cost of agencies established here for the transaction of its business.

234. Upon this principle the cost of the India Office would be thus apportioned; its parliamentary representatives, with an adequate staff, would be paid by the United Kingdom, and the rest of the establishment would be paid by India.

There is, however, a difference between the two cases. The East India Company paid the whole charge of its establishment in England, including that of the Board of Control. The Crown, in taking over the government of India, took it over on existing conditions, and the present arrangement is sanctioned by tradition and long practice. Tradition and long practice have established another arrangement in the Colonies. A contribution has never been asked from them, and the great self-governing Colonies throw so little work on the Colonial Office that their share of the charge of that office would be infinitesimal. Although, therefore, in theory they might fairly be asked to contribute, it would not be worth while to raise the question with them for so small a result. The cases, therefore, are not, on examination, as parallel as they appear at first sight. It is, however, a fact that the Colonies do not contribute to the charge of the Colonial Office, and in order that there may be no ground for allegation that India is treated less favourably than other parts of Her Majesty's Empire, we recommend that Parliament should be asked to make a contribution towards the charge of the India Office. This contribution may be made the subject either of a charge on the Consolidated Fund, or of an annual vote in aid of the home charges of the establishment of the Secretary of State. A choice between the two methods of procedure involves a question of policy. These home charges amounted, in the years 1897–8, to 240,000*l*. The larger part, however, of this sum represented costs of ordinary Indian administration. The vote for the Colonial Office, including non-effective allowances, amounts to about 50,000*l*. a year; and a like amount would be, we think, a fair contribution towards the cost of the India Office.

Settlements, Missions, Consular Agencies, &c.

235. The class of charges which come next most obviously within the terms of the reference comprises the contributions to missions and consular agencies, the administration of settlements (such as Aden), and subsidies for lines of communication in which both the United Kingdom and India are interested. The countries in which the diplomatic and administrative charges arise extend from Arabia to China, and there is no doubt of the interest of India in many questions of policy connected with them; but it must be admitted that the imposition upon India of contributions towards the cost of these services connected with these places has no parallel in our relations with other Colonies and dependencies.

Canada is extremely interested in our diplomatic relations with the United States, very many, and probably the most important of the questions arising between us and the States, having their origin in Canada; but no contribution has ever been made by Canada towards the cost of the Embassy at Washington. Historical circumstances explain the origin of the present arrangement. When the East India Company was a semi-independent power with a monopoly of oriental trade, it had its diplomatic agents in the East, just as it had an army and a navy, and in later times sufficient justification for some apportionment of the charge has been found in the direct interest India has in the development of commerce in the East and in the maintenance of uninterrupted waterways. We recognise the defensibility of the principle of apportionment, but the rate of apportionment requires constant revision, first in the light of the proportion which home trade with the Far East bears to Indian trade with the same; and next in consideration of the growing interest of Australian Colonies in the maintenance of the Red Sea route.

(*b.*) *Aden.*

236. India bears at present the whole charge, civil and military, of Aden. Sir H. Waterfield, in a memorandum prepared for the Commission, stated that in 1886 the Government of India urged the propriety of the expenses of Aden being divided between Great Britain and India, and he added that, in his opinion, Great Britain should make some contribution towards the expenses of the post. Lord Roberts thought that Great Britain might pay half the charge of the garrison. On the other hand, Lord Lansdowne said that the arrangement under which India has to maintain Aden is a rough and ready arrangement, which is not without its fairness. Lord Ripon also would leave things as they are. Qq. 6523–40, 6695–700, 12,501–19, 14,879, 14,995–9, 15,708–17, 15,762–5, 16,103, 16,399, 17,821.

Appendix, No. 48. Vol. II. p. 371.

237. The military charges of Aden in 1894–5 were calculated by the Indian Government at Rx. 206,000, or Rx. 216,000 if military works were added.

	Rx.
The civil charges, including works, were - - -	52,000
The receipts - - - - - -	23,000
Leaving a deficit of - - - - - -	Rx. 29,000

238. The Indian Government contend that Aden is a post of Imperial importance, and that its occupation concerns not only the trade of Great Britain with India, but also her trade with the Australasian Colonies and the East.

The greater part of the trade with the East passes through the Suez Canal, and while it is open, there are three garrisons which guard the interests of the Empire in the route, Gibraltar, Malta, and Aden. Great Britain maintains the two first of those fortresses at her own cost. The maintenance of the third must be of great interest to India. As Mr. Jacob pointed out, if communication by the Suez Canal were stopped, Aden would naturally fall under the control of the Indian Government, and possession of the port practically enables India in time of danger to close the Red Sea against an enemy from Europe, but she could only gain this object effectively with the aid of British ships of war, the cost of which would be borne by Great Britain; nor must it be forgotten, when this subject is under consideration, that, in the event of war, the British taxpayer would be subjected to a heavy burthen in maintaining an increased fleet in Indian waters to protect Indian interests. It is probable that if a war were to break out between Great Britain and a leading European Power, the Suez Canal would be closed. Should that happen, the three garrisons on the Suez route would not protect trade, which the necessities of the case had diverted into another route.

Q. 14,995.

Q. 12,513–5. Q. 15,765. Q. 16,103. Q. 16,399.

239. Great Britain at present takes her own share of charge when she maintains two out of the three garrisons in the Mediterranean and the Red Sea,* although Malta and Gibraltar are of importance in connexion with the Mediterranean independently of their being stations on the road to India; but it is admitted that the Eastern Colonies have a considerable interest in the trade which passes by Aden, and Great Britain might in our opinion fairly recognise, as far as India is concerned, the existence of that interest, by relieving India of a part of the cost of maintaining Aden.

14,995.

240. As we have pointed out, the military charge of the garrison is estimated at Rx. 216,000. The net civil charge is estimated at Rx. 29,000. On this last point Mr. Jacob said that Aden is practically an Indian town; the labouring population, the traders, and the capitalists are Indian; and the administration has hitherto been on the Indian system.

If the Empire were organised as a whole, Aden would be an Imperial charge, towards which the members of the Empire would contribute, but in the absence of such an organization, another arrangement must be made, and the equity of the case would, perhaps, be met if the United Kingdom were to contribute one-half of the military charges. If that concession were made, Great Britain should be consulted before changes are made increasing the amount of those charges.

Appendix, No. 48, Vol. II., p. 371.

Appendix, No. 48, Vol. II., p. 372.

241. A reference has been made to the charge of the Somali district on the African Coast of the Red Sea. A memorandum of the Indian Government states that the district was occupied as a necessary and principal source of food for the garrison and settlement of Aden, which is girt about by sea or sandy waste. No important financial issue is involved, as the revenue of Somaliland practically meets the expenditure. The administration of that part of the coast has, moreover, now been taken over by the Imperial Government, and India, therefore, has no longer any financial interest in the matter.

(c.) *The Persian Mission.*

Qq. 12,398 *et seq.* Appendices, Vol. II., Nos. 48, p. 370, 49, p. 372, and 65, p. 403.

242. The Persian Mission was established in 1810, and was maintained at the charge of Great Britain until 1823, when it was transferred to India. From 1823 to 1831 it was wholly supported from Indian funds. In 1835 it was re-transferred to the British Foreign Office, the Indian Government contributing 12,000*l.* a year towards its cost.

* In 1894–5 3,255 merchant vessels passed through the Canal. Of these 1,309 called at Aden, 486 at Perim, and 667 at neither stations. Sir E. Collen states that the value of the trade between the United Kingdom and India in 1894 was 68,000,000*l.*, and between the United Kingdom and Australia 53,000,000*l.* The whole of the latter, however, would not pass through the Canal.

In 1859 another change was made, and the Mission and the Consulates at Tehran, Tabriz, and Resht, were placed under the Government of India. The cost of the Mission was then estimated at 15,000*l.* a year, towards which Great Britain paid 3,000*l.* and 2,000*l.* on account of the Consulates. In 1860 the Mission and the Consulates were re-transferred to the British Foreign Office, and from 1860–1 to 1879–80 India contributed 12,000*l.* towards the Mission, leaving the Consulates at the sole charge of Great Britain. In 1880, on the recommendation of the Select Committee which inquired, in 1871, into Diplomatic and Consular Establishments, the Indian contribution to the Mission was reduced to 10,000*l.*, and that rate was paid till 1890–1. In 1891 it was decided at the Foreign Office Conference, which, under the presidency of Lord Salisbury, examined various questions at issue between the two Governments, to reduce the contribution to 7,000*l.* The Treasury consider that contribution too small, and the Indian Government consider it too great. The Treasury has made a calculation of the charges incurred by India and Great Britain respectively for the Mission and the Consulates in Persia, including the telegraphic establishments, but exclusive of the subsidies to steam service on the Tigris and Karun. They estimate the Indian charge in 1891 at 24,600*l.* and the British charge at 16,400*l.* Sir H. Waterfield states the average expenditure of India on the Persian Mission and Consulates during the three years 1893–4, 1894–5, 1895–6, at 30,522*l.*; of Great Britain at 21,824*l.* The two Governments are not agreed as to the extent of their respective interests in Persia. It is, in our opinion, desirable to adopt a general principle of division which will put an end to these discussions. Both countries have admittedly a large interest in Persia, and we think that the charges of the Mission and Consulates should be evenly divided between the two countries. We think, also, that the British Foreign Office should not create or add to the establishments and services under its control without the consent of the Government of India, and *vice versâ*, that the Government of India should not add to the establishments and services under their control without the consent of the Foreign Office. Lastly, the charge as made up for division should be complete, including outfits, pensions, and all contingencies, to which the Government of India sometimes demurs.

Q. 14,986.

(*d.*) *The China Consular Establishments.*

243. The East India Company bore the whole expense of diplomatic and consular intercourse with China as long as it enjoyed a monopoly of British trade with China. In 1834 that monopoly ceased, and it was decided that Great Britain should thenceforth pay two-thirds and India one-third of the cost of the superintendents of trade, who were to represent diplomatic and consular interests in China. India paid in consequence one-third of the charge from 1834 to 1875 subject to some deductions. The opening up of China and increase of trade led to an increase of the diplomatic and consular establishments, and, apparently, one-third of the divisible charges would now amount to about 20,000*l.* a year. In 1876 the arrangement was revised, and from that year to 1889 India paid a fixed contribution of 15,000*l.* a year. The Indian Government, however, considered this contribution excessive, and they desired to reduce it to 10,000*l.* The Treasury maintained, on the other hand, that 15,000*l.* was a fair contribution. The question was referred to the "Foreign Office Conference" in 1891, and the Conference split the difference reducing the contribution to 12,500*l.*, a rate which was to continue in force until 1899–1900.

Qq. 12,415 *et seq.* Appendices, Vol. II., No. 48, p. 370, and No. 49, p. 373.

Thus the interest of India in the China trade has always been officially acknowledged, and it must be borne in mind that India depends for a considerable proportion of her revenue on the opium trade with China. She has so far a special concern in efficient representation at the ports in China where opium is imported. It is impossible to apportion such interests between Great Britain and India with mathematical accuracy. We think that the decision of the Foreign Office Conference should be maintained, that the contribution should be fixed for a certain period, say, ten years. If the conditions of trade should in the meantime change, and if there should arise in consequence a difference of opinion between the two Governments, the point when the date of revision arrives, should be submitted to the arbitration which we suggest in another section of our report. The present arrangement might be allowed to remain in force for a period of five or six years.

(*e.*) *The Zanzibar and Mauritius Cable.*

244. In 1890 the Government of India desired to obtain an alternative telegraphic route to England in time of war. They proposed that for that purpose India

Qq. 12,392 *et seq.*

Appendices Vol. II., Nos. 48, p. 370, 49, p. 375, and 64, p. 402.

should be placed in telegraphic communication with the Cape, and with England by a new cable from Ceylon viâ Mauritius to the Cape. The proposal was referred to a committee at home of two members from the India Office, two members from the Colonial Office, and one member from the Admiralty, Foreign Office, and War Office respectively.

This committee altered the proposal. They thought that telegraphic communication with Mauritius would, in the event of war, be of the utmost importance both to Great Britain and India, for, if the commerce of India were diverted from the Suez Canal to the Cape route, the Mauritius would be the base from which English cruisers would operate for the protection of that commerce. In any case it would be an outpost of great importance to India. The Government of India accepted the conclusion of the committee as to the vital importance to the eastern carrying trade of establishing communication between the Mauritius and India, and they advised that India should bear a moderate share of the necessary subsidy. The British Government agreed to subsidise a cable to Mauritius viâ the Seychelles, on the understanding that the balance of the subsidy (probably 24,000*l.*) after abating the contribution to be made by the Mauritius, would be equally divided between the two Governments. The India Office referred this proposal to the Government of India, and asked their opinion upon it. The Government of India replied that they considered that the Indian contribution should be substantially less than that contributed by the Imperial Government. The Secretary of State rejoined, that the Treasury declined to pay more than half the subsidy (after deduction of the Mauritius contribution, estimated at 8,000*l.*), and he proposed to undertake the other half, adding that Her Majesty's Government already paid 55,000*l.* to the East Africa line.

Appendix, No. 64, Vol. II., p. 402.

The Government of India accepted the proposal, feeling that it was the only means by which telegraphic communication between India and Mauritius could be secured.

Sir David Barbour dissented from the conclusion of the Government of India, because, in his opinion, the duty of protecting commerce on the high seas should devolve upon England.

The memorandum of the India Office shows that the Indian Government thought the communication of so much importance to India, that they consented to pay a moiety of the subsidy, after deducting the contribution of the Mauritius, rather than lose the line.

Sir Henry Waterfield does not object to a contribution. He had expected that the Indian Government would pay 8,000*l.* They do pay 10,000*l.*, and he pleads for the smaller sum.

It appears to us that this was a contract between willing parties. The Government of India undertook a certain liability with their eyes open, and we see no reason now for modifying the arrangement.

(*f.*) *Red Sea Telegraph.*

Qq. 12,314, *et seq.* Appendices, Vol. II., Nos. 48, p. 370, and 49, p. 345.

245. No question arises on the Red Sea telegraph, in respect of which an annuity of 36,000*l.* is payable till 1908. India contributes half, or 18,000*l.* (with expenses added, 18,027*l.*). The annuity represents the charge of the first cable in the Red Sea laid down under the auspices of the two Governments in 1858, and soon found worthless.

(*g.*) *Euphrates, Tigris, and Karun Subsidies.*

Qq. 12,479, *et seq.* Appendices, Vol. II., Nos. 48, p. 371, and 49, p. 375.

246. Since 1863 the Government of India have paid a subsidy for the carriage of mails between Bussorah and Baghdad. The subsidy is Rs. 24,000 for a weekly service. The Indian Post Office does not require a weekly service, but the Government of India are willing, Sir H. Waterfield says, to pay the subsidy in consideration of the large Indian native community resident at Baghdad. The British Post Office does not think a subsidy necessary.

In 1888 the Persian Government opened the River Karun up to Ahwaz. Messrs. Lynch placed steamboats on the river, and in 1890 they obtained a subsidy from the British Government amounting to 2,000*l.* a year, to which it was agreed that India should contribute a moiety; but the Government of India consider that India has not the same interest in the navigation of the Karun as she has in that of the Tigris.

It is extremely difficult to appraise the respective interests of Great Britain and India in these subsidised services. It is admitted that each has an interest, political as well as commercial, in those regions, and probably the equity of the case would be met by dividing them. If India maintains the Bussorah Baghdad service, Great Britain might maintain the Karun service.

(*h.*) *Peninsular and Oriental Company's Mail Subsidy.*

247. The contribution of India towards this subsidy was regulated under an agreement called the Halifax award. The Government of India, however, were not satisfied with that award, and the question was referred last year to the arbitration of the Earl of Morley, who has given his award. We do not, therefore, consider that our opinion upon it is required. Qq. 12,269–98, 12,327–93. Appendices, Vol. II., Nos. 48, p. 370, and 49, p. 375.

(*i.*) *The Jeddah Consulate.*

248. The Indian Government agreed, in consideration of the number of Indian pilgrims passing through Jeddah to Mecca, to pay half the charge of the Consulate at Jeddah. The contribution varies from about 400*l.* to 700*l.* a year, and no question arises upon it. We may observe that India does not actually pay half the charge, as she declines to include in the account various consular charges, such as travelling, leave, and outfit allowances. Appendices, Vol. II., Nos. 58, p. 371, and 49, p. 373.

(*j.*) *The Chiengmai Consulate.*

249. The consulate was created in 1883 for the protection of British Indians in Northern Siam. It used to be wholly maintained from Indian funds. It was transferred, in 1891, for convenience sake, to the British Consular estimates, on condition that India should bear the cost. It appears, however, that in actual fact she does not bear the whole cost. No question is raised by India upon this charge. Q. 12,475, Appendix No. 49, Vol. II., p. 374.

(*k.*) *Réunion Consulate. Surinam Consulate.*

250. India contributes small sums to the above consulates, on account of assistance rendered to Indian emigrants. The Indian Government raise no question upon these charges. Qq. 12,493–6.

(*l.*) *Voluntary Contributions.*

251. It is, of course, unnecessary to express an opinion on a few voluntary contributions which India makes to the Imperial Institute, and for other purposes. Qq. 12,497–506.

(2.)—Army Charges.

252. The foregoing subjects fall directly within the scope of the language of our reference, "The apportionment of charge . . . . . for purposes in which both (the United Kingdom and India) are interested." But the matter of apportionment which has been most debated between the two Governments, and in respect of which we took the greatest amount of evidence, turned upon the principles on which the amount to be paid by India to the United Kingdom for military aid rendered by the latter for the service of India should be calculated. We understand this to be the chief question which we have to consider. This is not quite the apportionment of a charge for a service in which both are interested; it is rather the question of what should be paid by India as the cost of a service wholly in its interest.

253. The claims of the War Office against India on account of army effective service are based upon the principle that India is to repay to the British Exchequer the actual cost incurred by the War Office at home in raising and maintaining the British force in India. The actual cost, as defined by Sir R. Knox, consists of every charge which would not be incurred, if it were not necessary to send reliefs to India. Appendix, No. 45, Vol. II., p. 261, Q. 12,520.

In 1896–7 the claim of the War Office against India on account of effective services at home was calculated, not on the cost of the home service as Sir R. Knox defines it, but on the basis of the compromise recommended by the Committee to which we shall hereafter allude, and of which Lord Northbrook was chairman. It was:—

	£
Capitation, including deferred pay	*745,700

* The charge for the year was 745,700*l.*, but an overpayment for the previous year was deducted—21,806*l.*

(a.) Capitation Charge.

254. The greater part of the claim refers to services the cost of which is covered by the "Capitation Rate." These services are (1) the enlisting and temporary training of the recruit for the arm of the force to which he will belong. They include the cost of officers and non-commissioned officers who train the recruit, and a charge for those recruits who desert or die in the first year of service, that is, a charge for waste in the production of the soldiers required to keep up the established strength of the British force in India; (2) the pay of young officers appointed to vacancies in the force and waiting orders to sail, and of young officers appointed to the Royal Engineers stationed in India, who undergo a training of two or three years at Chatham; (3) the training of veterinary surgeons for India; (4) the examination of candidates for the Indian Medical Service; (5) Educational establishments, viz., the Royal Military College, the Royal Military Academy, the Staff College, the Army Medical School, the School of Gunnery, the School of Engineering, and the Artillery College; (6) advances of 25 days' pay to drafts sailing for India; (7) expenses of men sent home from India either as invalids or time-expired men and awaiting their discharge. This charge includes pay of the men while on their passage home. (8.) Expenses of Indian invalids at Netley and at Woolwich Hospitals, and of a general depôt established at Gosport for the discharge of men, instead of sending the men for discharge to their several depôts throughout the country.

Appendix No. 50, Vol. II., pp. 376–7.

255. Since 1890–1 these charges have been met by a capitation rate of 7*l.* 10*s.* for each man borne on the establishment of the British force in India. Previously the War Office made a detailed claim in respect of each service, and, in 1889–90, the last year of the former arrangement, the accepted claim on their account amounted to the following sums:—

	£
1. Charge per head on troops embarked for India (12,122)	306,049
2. Charge of depôt staff for training recruits	220,715
3. Agency (now abolished)	3,020
4. Charge for deserters, deaths or discharges under one year's service	8,650
5. Maintenance of young officers before embarkation	4,769
6. Maintenance of young Engineer officers under instruction	5,462
7. Training of veterinary surgeons for India (six months)	600
8. Examination of candidates for Indian Medical Service	481
9. Educational establishments	37,065
10. Advance of 25 days' pay to men embarked for India	11,563
11. Expenses of men awaiting discharge	33,259
12. Share of cost of staff of hospitals and of the discharge depôt	45,441
	£677,074

Q. 12,668.

256. But against this charge must be se tan allowance to the Indian Government for "Rebate." "Rebate" was based upon the assumption that an infantry soldier* receives in England a training of six months, for which the Indian Government pays. When, therefore, a soldier returned to England after service in India, and served for four years in the reserve, India claimed a rebate on the enlistment and training charge which she had paid for that man, because a part of his service would be given at home. Again, if the War Office, under stress of circumstances, sent out a man with less than six months' training, India claimed a rebate in respect of him; but on the other hand, if the War Office† sent out a man with more than six months' training, India claimed a rebate because he had added during such excess time to the force effective for defence at home.

* The period of training varies for soldiers of other branches.

† It will be seen hereafter that India paid nothing for the training of an infantry recruit in excess of the six months.

257. In 1889–90 the allowances to India for rebate amounted to the following sums:— Capitation Charge.

	£
a. Men embarked with service short of the training period	1,937
b. Men embarked with service above the training period	47,322
c. Men transferred from cavalry and artillery depôts to home regiments	15,315
d. Men returned for further service with the colours in the Reserve, including recovered invalids	91,491
Total rebate	£156,065

which sum deducted from the total charge (£677,074) leaves a net charge in 1889–90 against India for services covered in the future by the capitation rate of	521,009
To this sum may be added the charge of deferred pay	213,192
Total net charge	£734,201

The corresponding charge under the capitation rate, with the addition of deferred pay, amounted in—

	£
1893–4 to	746,731
1894–5 „	778,250
1895–6 „	740,000
1896–7 „	745,700
1897–8 „	729,000

The capitation rate is a net charge, and there is therefore no longer a deduction for rebate.

It will be observed that the capitation rate corresponds more or less closely with the actual charge in the last year of the old arrangement.

258. It may be interesting here to state, shortly, the changes which have taken place in the method of assessing the claim of the War Office on India.

From 1824 to 1860 the actual expenditure incurred at home in defraying the effective charges of the Royal troops serving in India was ascertained and recovered from India. Inconvenience and delay attended this method of adjustment, and when the permanent British force in India was greatly increased after the Mutiny, it became necessary to reconsider the subject. A Committee, under Sir A. Tulloch, was appointed for that purpose in 1861. It recommended, after much consideration, that payment should be made for home charges in the form of a capitation rate of 10*l.* on every soldier on the British establishment in India, the term soldier including officers of all ranks. This capitation rate was actually paid for the years 1861 to 1869 inclusive and the average yearly sum repaid by India during that period was 631,244*l.*

In 1870, India disputed the fairness of the 10*l.* rate, and, pending revision of the arrangement, declined to pay more than certain sums "on account." From 1870 to 1878 these payments on account averaged only 440,000*l.* a year, and a Treasury Minute of 2nd July 1878, confirmed by an Act of Parliament, accepted them for the years mentioned in full discharge of India's liabilities, excepting claims for certain stores and minor services. This decision involved a remission of War Office claims to the extent of about 400,000*l.*

The same Minute proposed that a Committee should be appointed jointly by the India Office, the War Office, and the Treasury, to fix the capitation rate to be paid in the future. It was intended that the rate so fixed should be in force for a certain number of years, and should then be subjected to revision. Mr. Bouverie was in the first instance appointed Chairman of the Committee. At a later stage the Committee was reconstituted and Lord Northbrook took the chair. A Royal Commission was at that time considering the subject of military organisation, and an Indian Commission was inquiring into the military charges of India. Lord Northbrook, therefore, recommended that, pending the reports of these Commissions, payments by India should be "on account." In pursuance of this recommendation, the Committee submitted

Capitation charge.

specific sums for payment by India. These sums, including deferred pay, which in those years represented a comparatively small sum, averaged for the six years to 1884–5 520,517*l.* Subsequently the Committee recommended a payment of 750,330*l.* for 1885–6, and of 627,537*l.* for 1886–7, and on the 22nd March 1892, they made their last report. They fixed the payment, including deferred pay, for 1887–8 at 665,986*l.*, for 1888–9 at 719,948*l.*, and for 1889–90 at 734,201*l.*, and they recommended that a capitation rate, based on the number of men borne on the establishment of the British force in India, of 7*l.* 10*s.* per man should be accepted for the years 1890–1 and 1891–2; that rate, however, was not to include deferred pay. The recommendations of the Committee were accepted by the Treasury, the War Office, and the India Office, and since then the capitation rate of 7*l.* 10*s.* per man has been renewed for the years intervening from 1892–3 to the present time.

259. The Indian Government think that rate too high. On the other hand, the War Office contends that under it India does not repay to the Imperial Government the actual cost incurred by the War Office at home in raising and maintaining the British force at India. We are asked to express an opinion upon the point which is thus at issue between the two Governments. In order to form such an opinion we must examine closely the charges covered by the "capitation rate." They are divisible into two heads:—(1.) The cost of enlisting and training the recruit included under the general term of Depôt Charges. (2.) Other charges.

(1.) *Cost of Enlisting and Training the Recruit (Depôt Charges).*

260. Depôt charges cover expenditure incurred in enlisting and training the recruits required yearly to keep up to its established strength the British force in India. Under the present capitation rate the War Office does not make out in detail its claims for this and other services covered by the rate, and we must, therefore, recur for information upon that point to the last statement rendered under the previous arrangement, that for 1889–90, which is given in a preceding paragraph. Four items in that statement refer to the recruit:—

	£
1. Charge per head on troops embarked - - -	306,049
2. Depôt training staff - - - - -	220,715
3. Charges for deserters, deaths, &c. - - -	8,650
4. Advance of pay to men embarked - - -	11,563
making a charge of - - - - - -	546,977

out of a total claim of 677,074*l.*

But from this sum of 546,977*l.* must be deducted the rebate of 156,065*l.*, leaving a net claim on India for recruits of 390,912*l.*, or not quite 32*l.* 5*s.* per man on 12,122 recruits. The capitation rate of 7*l.* 10*s.* on a force of 73,000 men would amount to nearly 548,000*l.*, say 550,000*l.* If the charges not connected with recruits equal now on an average the sum allowed for them in 1889–90, say 130,000*l.*, the balance, 420,000*l.*, represents the sum which India pays for her recruits, or about 35*l.* for each recruit.

261. This is the charge to which the Indian Government object as excessive. They object (1) because in their opinion the cost of raising and training the recruit is too great; (2) because the War Office in raising its charge against India for recruiting does not make sufficient allowance for the value to England of the recruit when training, or of the returned soldier, inasmuch as the recruit and the soldier in the reserve contribute to the defensive force in the United Kingdom. In the discussion between the Indian Government and the War Office, depôt charges are usually measured by their relation to the established strength of the force which depôts are instituted to maintain. Thus, if the effective force in India were 12,000 men and the charge of the depôts were 60,000*l.*, the cost would be stated as 5*l.* for each effective man of the force. The East India Company in days before the Mutiny maintained in India a local European force of about 12,000 men, and they kept a depôt at Warley to provide the recruits necessary to maintain that force. The cost of the Warley depôt, measured in this fashion, was very low. The Indian Government computed it at

2*l.* 8*s.* 11*d.* per man of their established European force, and they compare it with the charge for recruits made at different times by the War Office. Thus, before the Mutiny, the recruits required for the establishment of the Royal army in India (about 24,000), calculated, apparently, on the same principle, were said to cost 8*l.* per head of the established force. After the Mutiny, and on the advice of the Tulloch Committee, the capitation rate was fixed for a time at 10*l.* It now is 7*l.* 10*s.* These calculations, however, though apparently similar in kind, cannot be made the basis of a true comparison, because they do not include the same services; and even if the differences which invalidate comparison were removed, the principle of the comparison is in itself imperfect, for it does not compare at the different periods the cost of the article produced, viz., the soldier. We therefore put this method of comparison aside, and we compare simply the cost of producing the recruit before the Mutiny with the same cost in recent years. We should expect to find that the cost of producing a recruit at Warley was much lower than it is now: (1) because a recruit was then a less expensive article than he is now; (2) because the recruit practically received little or no training at Warley; (3) because the Company enlisted men for life. These men might practically return with a pension after a service of 21 years. At present the Crown enlists men for eight years at most. A larger supply of recruits is therefore required yearly in order to maintain the established force in India. Capitation charge. Depôt charges.

In the following figures we endeavour to make a comparison between the cost of the recruit (i.) at Warley, under enlistment for life, (ii.) under the system of enlistment for ten years which prevailed between the Mutiny and the year 1871, and (iii.) under the system of Short Service established in 1871.

(i.) *Warley.*

262. We take the years 1850, 1851, and 1852, because later years were disturbed by the Crimean War. Some of the Queen's troops were then temporarily withdrawn, and the local European force was increased. The average strength of the local European force (non-commissioned officers and men) was during those three years 12,618.

One thousand recruits annually (in round numbers) were required to maintain this force. The European force in India is now about six times the number of the old local European force. If, for purposes of comparison, we assume that the principle of enlistment for life could be applied to the Queen's forces at the present time, it would require in round numbers 6,000 recruits to maintain a force of 72,000 European soldiers in India. At the present time 12,000 recruits (in round numbers) are sent out annually. For the purposes of our comparison, therefore, it may be said that the number of recruits required under the present system of short service is double what would have been required under a system of enlistment for life. The Indian Government calculated the charge at Warley, in the years 1850–7, to have been 26*l.* 7*s.* 5*d.* per man. But Warley provided only infantry and artillery recruits. No cavalry recruits were sent out from there, and cavalry recruits are more expensive than infantry recruits. The average charge, therefore, would have been perceptibly higher, if a proportion of the Warley recruits had been cavalry. The War Office, moreover, points out that the Warley charge did not cover some services included in the present capitation rate. It is probable, therefore, that the Warley charge, adjusted for comparison with the present charge, would have approached 30*l.* for the recruit. But the Warley recruit had little or no training, and the Indian Government now require at least six months' training for each infantry recruit and nine months' for each cavalry recruit. As matter of fact, the majority of the recruits receive considerably more than those periods, but India is not charged for such excess. If, then, we take the Warley charge at 30*l.* per raw recruit, it is a moderate figure, and at that rate the cost of recruiting 6,000 men would have been 180,000*l.*

(ii.) *The Ten Year System.*

263. In the Queen's Army from 1847 to 1870 recruits were enlisted for ten years. The War Office reckons that short service added 50 per cent. to the cost of recruits sent out under the ten-year system. If that be so, where 12,000 recruits are now required 8,000 would be required under the ten-year system, and if the cost of each recruit was the same as at Warley, it would entail a charge of 240,000*l.*

(iii.) *The Present System.*

Capitation charge.

264. The force of 12,000 recruits now required would have involved a charge of 360,000*l.* at the Warley rate of 30*l.* for each recruit.

Depôt charges.

We have calculated in a previous paragraph *the charge on India* for recruiting under the present capitation rate of 7*l.* 10*s.* at 420,000*l.*, or 35*l.** per recruit, that is to say, 240,000*l.* in excess of the Warley rate.

265. We make this comparison between the premutiny system and the present system because the Indian Government have compared the present charge with the Warley charge. But Warley does not supply a possible basis of comparison. No one supposes that the present European force in India could be maintained by a system of life enlistment, and for the rates of charge which ruled 50 years ago. A more possible basis of comparison is afforded by the 10-year system. On that comparison the present charge to India for a recruit shows an excess. It is difficult to say what that excess would be. If the recruit under the 10-year system could have been provided at the Warley rate, the excess would be, as we have shown, 180,000*l.*, but we know that under the 10-year system the recruits required could not have been raised at the Warley rate. The excess, therefore, of the present charge to India for the recruit over the cost of the recruit under the 10-year system would be less than 180,000*l.*†

Our figures are only approximate. It may be that a return of the actual charges covered by the capitation rate, which are not given for a later year than 1889–90, would at the present time show some change of distribution, that is to say, the proportion due to recruiting charges might be somewhat higher, that of the other charges somewhat less. Such variation, however, would not materially affect the result. We are inquiring whether it is true that recent changes in army organisation have increased the burthen upon India, and for that purpose we are content to take for the present charges a figure calculated upon the above basis, but at a full amount. We consider that we do so if we say that recruiting for India costs, under the present system, and, according to the figures given above, 150,000*l.* a year at home more than it did under the 10-year system. We should be making a very liberal estimate if we raised it to 200,000*l.*, in order to guard against possible modifications in the proportions between recruiting and other charges, or other contingencies.

Short service and deferred pay.

266. In forming an opinion upon the fairness of the "capitation rate" we must take into consideration the great changes which have taken place in the organisation of the army within the last 30 years. The Indian Government think that these changes have increased the burthen on the Indian taxpayer, and it is of the essence of the question to ascertain whether that is the case or not. The first and the most important change was the introduction of short service. The second was the grant of deferred pay, which is now merged in the ordinary pay of the soldier. The Indian Government appear to doubt (1) whether short service and deferred pay do not impose an increased burthen on Indian finances, and (2) whether the present system gives India efficient European soldiers.

Their views upon these two points are not precisely stated, and we have some difficulty in ascertaining the extent of their objections, and the remedies which they would propose.

Before the introduction of short service, the soldier enlisted for 10 years, and could continue to serve until he could earn a pension.

Under short service he enlists for seven years, with a liability to serve an extra year abroad, and he does not earn a pension.

267. We compare the working of the two systems; and upon the first point we have to ascertain whether the conditions attending or following the introduction of short service are financially more onerous to India than the conditions of the longer service which was previously required. As we have stated, the Indian Government appear to think that that is the case; but in the evidence before us they do not examine this financial problem as a whole. They say truly that short service increases expenditure in raising and training men, that the transport of a larger number

* The War Office contend that this is not the actual cost of the recruit at the present time.

† At 35*l.* per recruit, the 6,000 recruits required under the system of recruiting for life would cost 210,000*l.*; the 8,000 recruits required under the 10-year system, 280,000*l.*

of soldiers to and from India, as also the grant of deferred pay, impose an increased burthen on Indian finance, but they practically leave out of consideration the saving of pensions which accompanies short service. On the other hand, the War Office contends that the short service system is on the whole less expensive to India than the system which it superseded, and they support their contention by figures which have not as yet been controverted. The War Office agrees with the Government of India that India bears a new charge in the shape of deferred pay, and a heavier charge on account of transport than she would pay if the soldier enlisted for a longer term of service. Deferred pay is calculated on an average at 210,000*l.* a year, and the increase on transport at 73,000*l.* As a matter of fact, the actual cost of transport is less now than it was under the old system, but this economy is due to the reduction which has taken place in freights, and the War Office states the case quite fairly when it calculates the charge at that which would be incurred now, supposing that the old rates of charge were still in force. Under the ten-year system 18,000 persons were transported yearly between England and India. The War Office adds one-sixth on account of the increase of the European force which has taken place in the interval. In 1894–5 the force transported at the cost of India was 29,000, and the increase of charge is gauged by the difference between the two numbers.

Short service and deferred pay. Appendix, No. 51., Vol. II., pp. 378–83.

268. The War Office thus arrives at an increase of about 283,000*l.* a year, due to deferred pay and increase of charge for transport. It admits also an increase of charge under the head of recruiting expenses, which we have estimated approximately in a preceding paragraph at 150,000*l.* to 200,000*l.* a year. On the other hand, the War Office gives us a calculation, made by its actuaries, of the effect of the short service system on the pension list. The actuaries estimated that the system superseded by short service was working up to a normal pension charge of 971,000*l.*, in respect of the Indian service of the Queen's army, and that the short service system would work up to a normal charge of 328,000*l.*, giving an eventual reduction on the pension list of 643,000*l.* If there had been no increase of the force in India, the maximum pension charge of 835,000*l.* would have been reached upon a force of 60,000 men about 1902. The addition of 10,000 men in 1885 would have increased that maximum about the year 1920 to 971,000*l.* The War Office further states that the actual experience which it has gained supports the estimate of the actuaries. In five years from 1876 the average number of soldiers with Indian service retiring yearly on pension was 4,600. In 1893 and 1894 the average was 900.

If these figures are approximately correct, the financial changes consequent on or subsequent to the introduction of short service will, when the present system is in full operation, result, not in an increase of expenditure in India, but in an actual economy to India of between 160,000*l.* and 200,000*l.*

The following figures compare the actual increase of expenditure on one hand, and the prospective saving of expenditure on the other hand, under the present system of service, as compared with the system which it superseded:—

Increase of Expenditure.			Saving of Expenditure.	
		£		£
Increase of pay, formerly deferred pay		210,000	Eventual saving on pension list	643,000
Increased charge of transport		73,000		
Increased charge of recruiting, over that of the ten-year system, say	150,000 or	200,000		
	433,000 or	483,000	Total	643,000

It is calculated that the full saving of 643,000*l.* will be substantially reached about the year 1920, entirely in 1955. On the other hand, the increase of expenditure caused by short service and deferred pay* has been an actual charge on the Indian

* Short service was introduced in 1870, and deferred pay in 1876.

revenue for many years past, and up to the present date there has been no substantial decrease in pensions if we include the payments of pensions still made by the War Office on account of the payments of their capitalised value made yearly by India to the War Office between 1861 and 1884.

Conclusions.

Capitation charge. Conclusions.

269. We have to say (1) whether, in our opinion, the capitation rate is too high; (2) whether the conditions attending or following the introduction of short service have increased the public expenditure.

We treat the subject at this point as one of business, not of sentiment, assuming that India, employing about one-third of the British army, pays her fair proportion of the cost of that army.

270. (1.) We have calculated that the capitation rate of 7*l.* 10*s.* upon the present British force in India would amount to about 550,000*l.* 420,000*l.*, part of this sum, would represent services connected with recruiting. A sum of 420,000*l.* paid for 12,000 recruits, is equivalent to 35*l.* for each recruit (all branches of the service being included), and we compare it with the charge approaching 30*l.* for each European recruit, which India paid before the Mutiny. A recruit is a more expensive article than he was 40, or 50 years ago. Moreover, the recruit of the company received little training before he embarked, while the recruit of to-day undergoes a training of eighteen months to two years before he sails. These facts prepare us for the contention of the War Office that 420,000*l.*,* or 35*l.* for a recruit, does not cover the cost of a recruit to the War Office. The War Office, however, under the capitation rate does not charge India more than 35*l.* for each recruit, and any balance of cost is levied on the British taxpayer. India does not pay under this head the whole cost of training the Queen's soldiers whom she employs, and it cannot be said that the cost of the recruit to her is excessive. On the contrary, she would pay more than 35*l.* for each recruit† were she to maintain a separate army and separate recruiting establishments.

The Government of India think that the War Office in raising its recruiting charge against India does not make sufficient allowance for the value to England of the recruit when training, or of the returned soldier, but they forget that the War Office only claims from them the cost of training the recruit for six months, while it actually trains him for 18 months and more. The recruit is not of much value during the beginning of his training, and the Indian Government can hardly ask the War Office to do more than they do now, namely, pay the whole cost of the recruit after he has received a training of six months until he embarks. As regard the reserve, we notice in the account of 1889-90, upon which the capitation rate was founded, a rebate of 91,000*l.* was allowed on soldiers returning from India for further service with the colours or in the reserve. If further allowance were thought necessary, we may point out that the reserve costs Great Britain 500,000*l.* a year, and that Great Britain asks no contribution from India towards it, although it is admitted that, in case of emergency, India may draw upon the reserve.

On the question whether the short service system has increased the public expenditure of India, we have shown that it has done so temporarily, but that ultimately the saving on pensions will more than counterbalance the increased cost of recruiting and transport, and the additional charge involved in the grant of deferred pay, provided always that the reduction of the pension charge is maintained, as these calculations assume.

We do not therefore think it necessary to revise the capitation rate. It has been in force since 1890–1, and it might, in our opinion, continue in force for the period of five or six years. But at the end of that time a general revision should take place.

We deal later with the services covered by the capitation rate but unconnected with recruiting.

271. (2.) It is a difficult matter for laymen to offer an opinion upon the question, whether short service gives India an efficient European force. Sir E. Collen does not

* The expenditure on services covered by the capitation rate, but unconnected with recruiting, may vary from year to year from the sum of 130,000*l.*, which represented their cost in 1889-90, and the balance applicable to recruiting services would vary in the same degree, but the variation would, probably, not greatly alter the figure of 35*l.*

† We do not forget that if India maintained a separate army she would possibly enlist her recruits for longer service, and would therefore require fewer recruits each year. But if she reverted to the old ten-year system, she would incur a heavier charge for pensions.

favour short service. His evidence is, in effect, an argument against it. He thinks the youth of the soldiers sent out under the short service system a disadvantage, since, in his opinion, young men suffer more by the climate than older men; and from the evidence of officers which he quotes, we gather that men above 25 years of age are, in his opinion, the best soldiers for India. He states that the average service of the European soldier in India is five years and four months. We understand that he would prefer a service of 10 years in India, but that the Government of India would be probably satisfied with a service there of seven years. Deferred pay, he thinks, may prevent men from re-engaging, who otherwise would do so even without prospect of pension. Sir H. Waterfield thinks that the reserve which short service creates would not be of use to India, unless she could, in time of need, command aid from that reserve; but he holds, if we understand him rightly, that India should in that case pay only the increased cost of transporting reserve men to India, and should not be charged with capitation rate upon them, should the draft from the reserve increase the number of the effective force in India. These objections may be thus summarised. Witnesses of the Indian Government (1) prefer the system of 10 years' service, which was superseded by short service; (2) they think that the soldier sent out is too young, that he is more subject to illness, and not so efficient as an older man; (3) they question whether deferred pay may not prevent men from re-engaging; and (4) they doubt the practical value of the reserve to India.

Capitation charge.

Effect of short service.

272. The War Office replies upon the first point that short service was established because the Government could not obtain recruits to enlist on long service, and that short service would not have been introduced so early, had it not been for the increased demands for recruits due to the increase of the Army and the creation of the reserve.

Qq.13,136-9.

The War Office replies upon the second point that it is the arrangement with the Indian Government not to send the soldier to India till he is 20 years old, and Lord Wolseley is "tolerably certain" that in former times the standard age was not as high as 20 for the Queen's Army. The facts do not decisively establish the contention that young soldiers are more liable to illness. For instance, in 1871 the death rate in the Indian Army was 17·53 per thousand, and the invaliding 43·62. In 1894 the death rate was 16·07, the invaliding 25·45 per thousand. Sir E. Collen, since he gave evidence before us, has furnished us with a return of invalids for ten years from 1886 to 1895 inclusive, which shows that men of from 20 to 24 years of age constituted 48 per cent. of the strength of the European Army, and that 52 per cent. of the invalids came from men between those ages; 33 per cent. of the invalids came from men between the ages of 25 and 29, who constituted 35 per cent. of the force. The figures, therefore, tend to show that men between 25 and 29 are the healthiest, but the difference is not so great as to justify positive conclusions against the health of the younger men. Sanitary measures and temperance have probably diminished the death and invalid rates. On the other hand, the ratio of "constantly sick" fell from 71 per thousand in 1860 to 55 per thousand in 1877, the year in which short service began to affect the British troops in India; and the ratio rose from 55 in 1877 to 93 in 1895. Sir Ralph Knox points out that the first year of service in India is trying to European constitutions, and that the larger number of recruits now sent out means a larger amount of invaliding comparatively at the commencement of service. Lord Wolseley does not accept the view quoted by Sir E. Collen from Sir Henry Norman, and other military authorities, that the older soldiers make the most efficient fighting men.

Q. 13,082.

Upon the third point, both Lord Wolseley and Sir R. Knox hold that pensions must be given if service were much extended.

Upon the fourth point, Sir R. Knox contends that the reserve is a reserve for both countries, and, if India requires additional battalions to meet an emergency, the reserve must be used, as it would be if emergency arose in England.

Qq.12,760-1.

273. As far as we are in a position to offer an opinion upon the evidence which has been placed before us, we have some doubt upon the first point whether the representatives of the Indian Government sufficiently appreciate the difficulty of the Home Government in meeting the increased demand for recruits, a demand for which India is in part responsible. It has been the task of the Home Government, not of the Indian Government, to grapple with the difficulty, and their solution of it applies to the whole British Army, whether in or out of India. The Government of India do not propose to revert to the system in force before the introduction of short service, that is to say, an enlistment for ten years, with power to re-engage for a further term.

Capitation charge. Effect of short service.

They apparently would prefer a longer period of service than obtains at present, but as Indian service means practically an engagement for eight years, we are not sure that we rightly apprehend their wishes. Probably actual service of seven years in India, excluding from consideration men invalided home at an earlier date, would satisfy them. Their representative stated that he had no distinct proposal to lay before the Commission. Upon the whole, we do not consider that a case has been made out for an alteration of the short service arrangement as applied to India. It is, however, a point worthy of notice that the average service of 7,307 European soldiers who came back from India in the trooping season of 1895–6, was only 5 years 4 months and 19 days. We quote from a return which Sir Edwin Collen gives us. It shows that out of these 7,037 soldiers, 2,315 returned with service of less than 5 years. These, we presume, were invalided soldiers; but invalids are common to all systems of service. In order to understand the working of the present regulations, we think that the return should separate those invalided home from those returning at expiration of their engagement.

Appendix, No. 56, Vol. II., p. 386.

274. Upon the second point we have shown that by agreement between the War Office and the Indian Government the recruit does not now go out until he is 20 years of age, and we do not understand that objection is taken to that age. We have shown also that the figures of invaliding do not actually establish a contention that the young soldier is more liable to sickness than the older soldier. The percentage of invalided soldiers under 24 years of age is higher than that of soldiers invalided between 25 and 29, but if allowance be made for the trying character of the first year of service in a tropical climate, the difference would probably be much diminished. There is a wide difference of opinion among military authorities as to the relative values of the young and of the old soldiers. The point was argued before us, but we, of course, are not in a position to express an opinion upon it.

275. Upon the third point, deferred pay has been practically converted into ordinary pay, and we presume, therefore, that there is no longer ground for such apprehension as that entertained by Sir E. Collen.

276. Lastly, we think that the reserve must be regarded as a reserve for both England and India. It has been argued that in time of great emergency the reserve will not be available for India, as it might be required elsewhere. It is impossible to legislate beforehand for extraordinary emergencies, and possible, but very improbable, contingencies must be met as the circumstances of the emergency best permit. It appears then to us that the existence of a reserve is of distinct value to India. The maintenance of the reserve costs the Imperial Government 500,000*l.* a year, a charge which India does not share. India, therefore, has a call upon a force to which she does not contribute directly.

We cannot accept in its entirety Sir H. Waterfield's contention that India ought not to pay any charge but that of transport on drafts sent to her from the reserve. It has been argued that deferred pay was in effect a contribution towards the reserve; if that were conceded, the cost of the reserve would be (1) the expenditure incurred upon the maintenance of the reserve, (2) deferred pay regarded as a contribution towards the reserve. The Imperial Government defray the whole charge of the first item, and, according to the ordinary method of calculation, two thirds of the charge of the second item. India contributes nothing towards the first item, and one third towards the second. Upon this principle of calculation it is only equitable that if India made a demand upon the reserve, she should make a fair payment for the men so supplied. But this principle of calculation is no longer valid, because deferred pay has been abolished, a corresponding increase of ordinary pay being substituted for it, and this change strengthens the plea that India should make a payment if she draws upon the reserve.

But if Sir H. Waterfield means only that full capitation rate should not be paid upon drafts from the reserve increasing the effective force in India, we think that there is force in his contention. The capitation rate covers the greater part of the cost of enlisting and training the recruit, and if India were to pay full capitation rate on drafts from the reserve, she would in effect be paying twice over for the enlistment and training of the same man, if he had previously served in India.

While, therefore, we think that India should pay a fair charge on drafts from the reserve, we think also that that charge should be fixed in agreement between the two Governments, due regard being given to the circumstances which we have mentioned.

(2.) *Charges other than those of Recruiting covered by the Capitation Rate.*

Capitation charge.

277. We proceed to consider the services other than those of recruiting, which are covered by the capitation rate. They were made up in 1889-90, as follows :— Charges other than depôt charges.

	£
(1.) Agency	3,020
(2.) Maintenance of young officers of cavalry, artillery, and infantry on first appointment to regiments serving in India, and before embarkation (2 to 5 months)	4,769
(3.) Maintenance of young officers of Royal Engineers for India while under instruction (2 years and 2 months on an average)	5,462
(4.) Cost of training veterinary surgeons for India	600
(5.) Cost of examination of candidates for Indian medical service	481
(6.) Educational establishments—the net cost of each establishment is apportioned according to the number of officers on the Indian and Home establishments	37,065
(7.) Expenses of men awaiting discharge (including period of passage home)	33,259
(8.) Share of cost of staff of hospitals and discharge depôts, and expenses of invalids (calculated on actual number received)	45,441
	£130,097

Appendix, No. 50, Vol. II., pp. 376-7.

The Indian Government, in their despatch of 25th March 1890, advanced objections against each of these items.

Appendix, No. 45, Vol. II., p. 261.

(i.) *Agency.*

278. The agency charge has been abolished, and therefore no longer forms one of the services for which the capitation rate provides.

(ii.) *Maintenance of Young Officers before they embark for India.*

279. When a vacancy occurs among regimental officers serving in India, a young officer is chosen from Sandhurst or by examination to fill the vacancy, and for military reasons, as we understand, a period of three to five months elapses before he embarks. Part of this time is leave of absence customary on appointment.

The War Office incurs charges on account of this officer in the interval before embarkation, and makes a claim against India for the amount.

The Indian Government contend that these officers while in England form part of the British Army, and further, that as India pays a large contribution for the training and education of the officers required for India, Indian revenues should be relieved of a portion of this charge for young officers. The War Office replies that a young officer appointed to fill a vacancy in a regiment on the Indian establishment belongs to the Indian not the British establishment, and that any charges incurred on his behalf should be paid by India, to whom the officer belongs. Sir E. Collen does not suggest that the young officer should not be appointed until he actually embarks. We may assume, therefore, that there is a reason accepted by both parties for this interval between appointment and embarkation. The War Office does not attach much value to the services of a young officer immediately on his appointment. Regarding the question as one of business, we should say that the officer from the date of appointment belongs to the Indian establishment, and should be charged accordingly. The Indian Government, in the table attached to their memorandum, deal with the War Office claim for the three years 1885–6, 1886–7, 1887–8, amounting altogether to 26,000, and they propose a deduction of over 20,000. We think this a liberal interpretation of their suggestion that India should be relieved of a *portion* of the charge. The sum is stated somewhat at hazard, for it does not pretend to appraise officially the military value of these youths. The period includes the years in which the

Appendix No. 45, Vol II., p. 278.

Capitation charge.

large increase of the British Army in India took place, and that may account for the high average charge of 8,666*l.* In 1889–90 the claim of the War Office was only 4,769*l.*

(iii.) *Maintenance of young Engineer Officers under Instruction.*

280. This is a claim for the pay, servants allowance, barrack accommodation and mess allowances of young officers of the Royal Engineers, appointed to India, from the date of their first commission to their embarkation for India, a period somewhat exceeding on the average two years. The War Office asks reimbursement of this charge. It also charges India for the instruction and previous education of these officers. The contention between the Indian Government and the War Office is the same as that which we described in the previous paragraph. The Indian Government say that these officers, while at home, are available for Imperial service. The War Office replies that the value of a young officer's service is very small, and further that these officers belong to the Indian and not to the British establishment. We come to the same conclusion as in the previous case, and think that if the claim is treated as a business arrangement, the War Office is correct, and that the claim of the India Office is not very substantial in character. The Indian Government ask for a reduction of about 50 per cent. We cannot examine this proposal, as it is not supported by data. The total sum at issue is not very large, amounting in 1889–90 to only 5,462*l.*

Appendix, No. 45, Vol. II., p. 275.

(iv.) *Cost of training Veterinary Surgeons for India.*

281. This is a very small charge of 600*l.* a year. The Indian Government propose that no claim should be made on account of it, on the ground that these officers during their time of training in England can render service to horses on the British establishment. If, however, these officers are learning their business, and are not sufficiently proficient to attend Indian horses, they are probably not sufficiently proficient to attend English horses.

(v.) *Cost of Examination of Candidates for Indian Medical Service.*

282. This is also a very small charge of 400*l.* or 500*l.* a year, and the Indian Government propose to reduce it by half, as they consider the charge too high. If, however, the charge represents the actual cost of the service fairly assessed, the claim, viewed as a business transaction, is correctly put forward.

(vi.) *Educational Establishments.*

283. These establishments consisted in 1890 of the Royal Military College at Sandhurst, the Royal Military Academy at Woolwich, the Staff College, the Army Medical School, Netley, the School of Gunnery, Shoeburyness, the School of Military Engineering, and the Artillery College.

Appendix, No. 45, Vol. II., p. 275.

The Indian Government, in the table attached to their Despatch of 25th March 1890, take the War Office claims in respect of these establishments for the three years 1885–6 to 1887–8, and suggest a reduction of 45,720*l.* upon a total charge for the three years of 132,017*l.* or an average deduction of more than 15,000*l.* annually on an average charge of 44,000*l.* They would, therefore, apparently be content to pay about 30,000*l.* a year. The principle upon which they base their reduction appears to be this: (1) that interest on the cost of land and buildings belonging to these establishments should not be charged; (2) that allowance should be made for the fact that many of the expenses would be incurred, even if India did not take officers from these schools; (3) that India gives garrison instruction and therefore should not pay for home educational establishments; (4) that the computation of the numbers on which India should pay is not fair.

Q. 6034.

We understand that objection was not taken by Sir Thomas Seccombe, the representative of the Indian Government on Lord Northbrook's Committee, to the basis on which the War Office claim was made up, and we note that the last claim of the War Office submitted in detail and passed by the Northbrook Committee (that of 1889–90) charges a much reduced sum, viz., 37,065*l.*, for these educational establishments. This reduction is due in part to the giving up of any claim in respect of Hythe, and it would be interesting to ascertain whether it arises further from acceptance of other objections put forward by the Government of India. Sir E. Collen's evidence appears to deal with the larger charge only, viz., that of 44,000*l.* It appears

upon the first point that in consequence of the increase of the army (an increase due in considerable measure to the demands of India) it was necessary to increase the buildings at Sandhurst. The Indian Government declined to contribute to the cost, but they agreed to pay their share of rent upon the erection and construction of the buildings. Capitation charge.

We understand them to object now to any payment on account of rent. The War Office states that all officers required for the Staff Corps in India must now pass through Sandhurst.

The Government of India illustrate the second point by an objection to pay towards the charge of a school of experimental gunnery.

On the third point, they plead in reduction of the charge that garrison instruction is given in India, on account of which no payment is made by the War Office.

On the fourth point, they consider that the number of officers who have been through these colleges is less than the number on which the War Office bases its claim, as ascertained by the proportion of officers on the Home and Indian establishments respectively.

(vii.) *Expenses of Men awaiting Discharge.*

284. In the three years ending 1887–8, the claim of the War Office under this head averaged, as nearly as possible, 20,000*l.* a year. The Indian Government propose to reduce it to 10,000*l.* The last claim put forward in detail by the War Office and accepted by the Northbrook Committee, amounted to 33,259*l.* The difference between the charge as worked out by the Northbrook Committee and the proposal of the Indian Government, unsupported by facts, is remarkable. The Indian Government "think that there is no reason why India should pay the War Office for 32 days of "a man's service in England before his transfer to the Army reserve, assuming that "he has spent 28 days in the voyage from India, or why India should pay for 50 days "for invalids after their arrival in England. The transfer of the men to the Army "reserve should be quickly accomplished, and Indian revenues should not be charged "with the pay of the men for a single day after disembarkation, for they practically "then come on to the military strength of England. In the case of invalids before "discharge, the actual amount should be charged, and it should not be assumed that "every invalid is detained for 50 days after arriving at Netley." In reply, the War Office states that actual experience shows that on the average invalids actually stay 50 days at Netley. Appendix No. 45, Vol. II., p. 277.

(viii.) *Share of Cost of Staff of Hospitals and Discharge Depôts.*

285. The Indian Government commence their objection by stating that every kind of expense is entered in the accounts on which they are charged, including divine service, military police, and buildings. They next question whether invalids from India remain in Netley hospital as long as invalids from forces not in India. On this point we believe that the calculations upon which the charge is based were before the Northbrook Committee, and were not questioned on arithmetical grounds. Lastly, they plead that they ought not to be asked to pay the expenses of their invalids at Netley, because they have hospitals of their own in India. The Indian Government suggest a reduction of 16,000*l.* on the claim put forward by the War Office in 1887–8 of 30,421*l.* The claim passed by the Northbrook Committee for 1889–90 was 45,441*l.*

Conclusions.

286. It will have been seen that the Government of India claims a reduction upon each of the eight services which we have been reviewing. In considering these claims we have had in view a business-like adjustment of the relations between the two Governments, taking as our standard a fair and proportionate payment for the service rendered. The expenditure on the first five heads amounted in 1889–90 to 14,332*l.* No charge would now be made for agency—the first of these heads. The expenditure upon four of the heads is small in amount. The objections raised to the various items are somewhat petty in character, and would not, we think, be tenable upon the principle which we have laid down.

The three remaining heads, viz., educational establishments, expenses of soldiers awaiting discharge, and hospital charges, amounted to 115,765*l.*

Capitation charge. Conclusions.

287. On educational establishments we gather that the Government of India would accept a charge of about 30,000*l.* a year. The actual charge in 1889–90 was 37,000*l.* Dealing generally with the objections advanced, we think that India should pay a fair rent upon the buildings, proportionate to her use of them, and upon a reasonable assessment of their present value. If an establishment is part of the organisation of an army which is employed by both the Governments, we must assume that it is held by competent authority to be required for the efficiency of the army, and in that case the two partners should pay proportionately towards its maintenance. A different question arises when it is pleaded that the proportions as now assessed are not fair to one of the partners. The Government of India had reason for the remonstrance, in their Despatch of 25th March 1890, against the charge for the Hythe School, for the War Office withdrew the charge before 1889–90. The War Office measures the charge against India by the number of officers attached to the forces employed by Great Britain and India respectively. These officers belong to one and the same army, and are subject to the same rules, it must be assumed, as to education and training. In that case the proportional charge is fair; but the Government of India are not satisfied upon this point, and, if they can show that any class of officers whom they employ, and who form part of the numbers by which the proportionate charge is measured, is not subject to these rules, or if, for instance, the Staff Corps is in course of reduction, and the officers destined for it are in consequence reduced in numbers, the proportion should be revised. We do not attach great weight to the reduction in the charge for educational establishments put forward by the Government of India in their Despatch of 25th March 1890, for it does not appear to be founded on a calculation of the financial result of specific modification of the present arrangement.

288. The Government of India contend, and we agree with them, that soldiers returning from India should be passed into the reserve without delay. They point out that in some cases such men remain chargeable to India for 32 days after they arrive in England; in other cases for eight days. It appears to us that a soldier passing into the reserve is practically available for the reserve upon his arrival, and that India might be relieved of charge for him from that date, if he is not an invalid. The Government of India raise also a question as to the period for which invalids are charged against India after their arrival in England. It appears, however, that that period is based upon an actual average taken in hospital. That appears to us a convenient method of computing a charge for the capitation rate, which is to remain in force for a period of years.

289. We do not understand the objection of the Government of India to the inclusion of the cost of Divine service, police, &c., in the charge for hospitals. These items are part of the expenses of the institutions, and we are surprised that they should be questioned. Nor do we think it probable that Indian invalids are kept unduly long in hospital at the charge of India. It is quite intelligible that invalids from a tropical climate may require longer treatment than men falling sick at home or in temperate climates. We do not see that the War Office has any motive to keep men needlessly in hospital. These are small points, but we give greater attention to the plea that India tends the soldier from England arriving sick in India, and that Great Britain, therefore, should tend the soldier from India arriving sick in England. On consideration we are disposed to draw a distinction between soldiers invalided home and soldiers falling sick on the passage home. India tends soldiers sent out to her who fall sick on the voyage, and Great Britain reciprocally might tend soldiers returning to her who fall sick on the voyage. The case of invalids is different —Great Britain does not send out invalids to India, but India does send back invalids to Great Britain, and, so far, there is not reciprocity. Invaliding, in effect, is a consequence of service in a hot climate, and the employer of the invalid may fairly be expected to pay within reasonable limits for his treatment.

On the whole, we see no reason for immediately revising the capitation rate, so far as these services are concerned, and we think, as in the case of the recruiting services, that it might be left in operation for a further period of five or six years, but that a general revision should take place at that time. Advantage might, however, be taken of the interval to consider those points of moment upon which we entertain a doubt.

(b.) *Non-effective Charges.*

290. The non-effective charge at home, with which we are dealing here, consists of payments to the War Office for the pensions of officers and soldiers of Your Majesty's British Forces in respect of service in India. Capitation charge.

We have spoken generally of these charges in our remarks on Short Service, and we came to the conclusion that a case for re-apportionment was not made out, since under Short Service the pensions in respect of the British Force in India would be greatly reduced, and that pensions to non-efficient officers form a charge indispensable to an efficient army. We have before us no specific proposals for other re-apportionment of military non-effective charges. Conclusions.

(1.) *Pensions of Officers of the British Army.*

291. From 1870–1 to 1883–4, the Government of India capitalised and paid down its share of the pensions granted in each year to officers and men of *the British Army*. Capitalisation then ceased, and from 1st April 1884, the Government of India has paid the proporton attributable to service in India of the pensions granted subsequently to that date. We cannot, therefore, compare the actual charge to India of pensions granted to officers of the British Army before the 31st March 1884 with the actual charge in recent years. On the 1st April 1884, India was paying nothing on account of pensions granted to officers of the British Army between 1870 and 1883, her share of those pensions having been redeemed by the payment of a capital sum. On the 31st March 1895, the yearly charge was 205,000*l*., and the charge was growing. The increase during that period of 11 years was at the rate of about 18,600*l*. a year. These sums include India's share of the increased pensions granted to officers of the British Army in consequence of the abolition of purchase. The Government of India considers that the revenues of India should not be subjected to charge in consequence of that measure. This affords, therefore, a fitting opportunity for expressing our opinion upon the representations which the Government of India has made.

292. Up to the year 1870, commissions were bought and sold in the British Army, and under the "Purchase" system a large proportion of officers left the service by sale of their commissions, and without pensions. Thus, under "Purchase" the amount of pensions paid to officers of the army was small, and the Indian Government, employing a part of the British Army, shared, in due proportion with the Imperial Government, the benefit of this economy. But, after long discussion, the Imperial Government came to the conclusion that the Purchase system was bad, and detrimental to the efficiency of the army, and they abolished it; but when Purchase was abolished, it became necessary, (1) to compensate the Purchase officers, and (2) to provide pensions for officers who no longer retired by the sale of their commissions. The Imperial Government thought the measure so important that they laid on the British taxpayer a burthen of several millions for the first object, but they did not ask the Government of India to contribute to this compensation charge. Under the new system also they granted an increased scale of pensions to officers of the British Army, involving an increased charge on the taxpayer, and India has been required to take her share of this burthen. The increased pension charge was a part of the price to be paid for effecting a great reform; for it is evident that no army can be maintained in efficiency if means are not provided for retiring officers who become, from one reason or other, incapacitated for service. It is, in fact, a necessary part of the military charge. The Indian Government, however, do not view the measure in that light. They contend that Purchase was a purely English abuse, and that it was not right to make India pay for the pensions that followed abolition of the abuse. In fact, that she ought not to be burthened with the expense of removing a local abuse. It seems to us that this argument might have been put forward with some force, if the Imperial Government had asked India to provide a part of the compensation paid to "Purchase" officers, but India was not asked to share that burthen. She is only asked to take her share of the non-effective charge indispensable to an efficient army.

293. We do not consider that the Indian Government can successfully maintain their contention against the principle of the charge, and more especially since they, in the organization of their local European army, as well as of their Native army, had always maintained a system of pensions.

(2.) *Pensions of Non-commissioned Officers and Soldiers of the British Army.*

294. As we pointed out in the paragraphs of our report relating to short service, the pensions to non-commissioned officers and soldiers of the British Army will gradually diminish. Sir Ralph Knox laid before us a return showing the Indian share of pensions granted to non-commissioned officers and soldiers of the British Army in each year from 1878–9 to 1894–5. Taking the average of the three years, 1878, 1879, and 1880, we find that the Indian share of permanent pensions *granted* for the first time in each of those years amounted to 50,561*l*. From that time the amount *granted* in each year fell gradually, and almost continuously, and in 1894–5 the pensions granted amounted only to 14,681*l*. The War Office has calculated that under the ten-year system the normal amount of pensions granted every year would be 43,760*l*., working up to a maximum annual charge of 971,000*l*., and that the normal amount of pensions granted every year under the short service system would be 15,045*l*., and working up to a maximum charge of 320,000*l*.

Appendix, No. 59, p. 387.

(*c.*) *Chelsea and Kilmainham Hospitals.*

295. The War Office has referred to us the question as to "What proportion (if any) "of the cost to the public in respect of Chelsea and Kilmainham Hospitals should be "paid by India?"

Chelsea and Kilmainham Hospitals house a certain number of soldier pensioners who prefer maintenance in the hospital to living where they please upon their pensions. These pensioners do not receive their pensions after admission to hospital, but the cost of maintaining them in hospital exceeds the pension which they would otherwise receive, and the War Office considers that India should, as matter of principle, pay her proportion of that increased cost in respect of the Indian service of inmates of the two hospitals.

At present the Indian share of the pensions of soldiers admitted to hospital is received by the War Office, but is not paid to the pensioners. The amount so retained by the War Office is estimated at 3,388*l*. a year, and is equivalent to a contribution of that amount by India to the cost of her pensioners in the hospitals. The War Office estimates the actual cost of hospital pensioners which should be borne by India at 8,663*l*. a year, and we are, therefore, asked to say whether the difference between those two sums, viz., 5,275*l*. a year, or any part of it should be made good by India.

Q. 13,030. Sir Ralph Knox has explained to us that the War Office did not include this difference in its claim against the Government of India, considering that the balance of unclaimed prize-money, 43,817*l*., which the Chelsea Commissioners held, arising from Indian wars, might be considered as providing a partial set-off against the extra charge.

The Comptroller and Auditor General, however, drew attention to the fact that India was not contributing her share towards the cost of the hospitals, and in consequence of this action of the audit office, the Government decided to refer the point to us.

The Indian Government hold that the two hospitals would be self-supporting, if the moneys arising from unclaimed prize money in the United Kingdom (a sum of about 600,000*l*.) had been appropriated to their support.

296. The case of the War Office, from the business point of view, is reasonable. It is part of the British Army system to provide an asylum for a certain number of old soldiers who desire it, and India, as the employer of a large part of the British Army, should pay her share of the cost. Nor is it a complete answer to say that if the War Office had appropriated to the hospitals certain moneys coming into its hands from sources *unconnected with India*, it would not be necessary to make any demand upon India; that is to say, if Great Britain would only endow the hospitals with British money, India might escape her liability.

Looking, however, at all the circumstances of the case, we recommend that matters should be left as they are; that the War Office should retain the unclaimed prize-money arising out of Indian wars, which have come into its hands, and that it should not make demand on India for a further contribution on account of Indian pensioners maintained in the two hospitals. The point might be borne in ming when a general readjustment of claim takes place.

(d.) *Payment for Indian Troops employed out of India.*

Introduction.

Troops employed out of India.

297. We proceed to examine the question of the payment of troops employed in military operations beyond the external frontiers of India.

A list of these military expeditions down to 1885, and the apportionment of charge in each case, will be found at pp. 305 and 364 of Vol. II. of the evidence. To the expeditions there enumerated must be added—

(1.) The Burma war in 1886, in which all charges were borne by India.

(2.) The Suakin force in the Sudan expedition of 1896, of which India paid the ordinary and the United Kingdom the extraordinary charges.

(3.) The Indian troops sent to Mombasa in 1896, of which the whole expenses were borne by the United Kingdom.

(4.) The British troops recently (1899) despatched from India to South Africa, and the Indian troops sent to Mauritius, Ceylon, Singapore, and elsewhere in connexion with the same campaign, in which the United Kingdom bears the whole charge.

298. Under section 55 of the Government of India Act, the revenues of India shall not be applicable to defray the expenses of military operations carried on beyond the external frontiers of India without the consent of Parliament. This consent is obtained in each case by resolutions passed in both Houses.

It is clear that the passing of these resolutions is valuable as a public parliamentary ratification of the apportionment of charge determined on by the Cabinet, although, according to our system of party government, the apportionment fixed by the Ministry has never failed to be ratified by its supporters in Parliament.

299. Difficulties, however, invariably arise at an earlier stage of the proceedings, when the Home Government is endeavouring to come to an arrangement with the Indian Government as to the terms of appertionment that are to be submitted to Parliament. In all the cases enumerated above in which a charge has been placed on the revenues of India (except the Burmese war of 1886) the Government of India has strenuously protested, and has only submitted under protest. Much correspondence invariably ensues. The discussions that arise cause considerable friction, which it is desirable to avoid; and a sense of unfairness is created, and remains behind in the minds of the Government and of the people of India.

In order, if possible, to arrive at certain principles of common agreement, Lord George Hamilton, in his Despatch to the Government of India, dated 30th June 1896, laid down three propositions on this subject:—

1. That on all occasions when the temporary loan of a military force is urgently required, either by Great Britain or by India, such assistance will be promptly given, so far as the ability, resources, and situation of either country at the time may permit.
2. That if the object for which such assistance is required is one in which the Government supplying the troops has no special interest beyond that which must be common to all members of the Empire, the whole cost of the force, so long as it is required, including both ordinary and extraordinary charges, must be borne by the country that needs its assistance.
3. That if the circumstances are such that the Government supplying the troops has a distinct and special interest in the matter at stake, then, although the interest may be less strong than that of the Government requiring assistance, the Government supplying the troops should be content to bear, in one form or other, a portion of the burthen which the operations involve.

300. We concur, generally, in these propositions. Sir Donald Stewart and Sir James Peile, members of the Council of the Secretary of State, in recording a dissent from a resolution adopted by a majority of the Council, suggested the substitution in the third proposition, of "direct and substantial interest" for "distinct and special interest," and we prefer the amendment.

These propositions, however, do not carry us very far; they do not say who is to define a direct and substantial interest. The real difficulty is to discover the means by which the interests of the two Governments may be most accurately and authoritatively ascertained.

301. We would lay down in the first place, the principles deciding this issue, which must admit of complete reciprocity in adoption. Lord Cross, speaking as Secretary of State for India, and having in his mind a loan of Indian troops to the United

Troops temporarily borrowed.

Kingdom, laid it down in a despatch to the Government of India of the 3rd February 1887, that he had urged upon the Treasury that "in the event of any occasion arising "hereafter for the employment of Indian troops on duties not directly attributable "to the requirements of your Government or at a distance from India, no portion of "the expense should be charged against India without your Excellency's concur-"rence." Sir Henry Fowler, who had held the same position, said in the House of Commons on the 6th July 1896:—

"Who is to be the judge as to whether India has this interest or not? I think Lord Cross gave the right answer when he says the Government of India."

302. If these declarations are to be taken in an unqualified manner, they will attribute to the Government of India (apart even from the Secretary of State in Council) an independence of authority, which has not prevailed, and in our judgment never can prevail. The Governor-General must, subject to the alternative of resignation, accept and carry out the orders he receives from the Secretary of State in Council. The Secretary of State, subject to a similar alternative, must accept the decision of the Cabinet, of which he is a member.

303. We do not undervalue the check involved in the power of resignation, but it seems to us clear that the final authority determining the relative interests of the United Kingdom and of India in any matter must reside in the Home administration, and in the Parliament which supports it with its confidence. A case has been suggested in which a majority of the Council of India might differ from the views of the Cabinet as to an appropriation of the Indian revenues for expenses of military operations beyond the external frontiers of India. In this case the Cabinet would ask the consent of both Houses of Parliament to the charge, and this consent, if obtained, would relieve the Council of responsibility.

304. But whilst we are strongly persuaded of the truth of the position thus stated, we feel that justice would most probably be secured in any decision taken hereafter, if principles could be formulated which should guide, although they might not govern, the formation of any such decision. A desire that such principles should be ascertained and declared has been expressed by Mr. Balfour and Lord Salisbury.

Mr. Balfour said on the 6th July 1896:—

"I should have asked the House to consider whether the time has not arrived when we might, with advantage both to India and to England, constitute some kind of tribunal of arbitration (if I may use the phrase) for the determination of questions of this sort—some tribunal in which the interests of India and Great Britain should be alike and equally represented; which might have authority in this country—an authority which, perhaps, neither the expressions of the Indian Government, speaking for India, nor the expressions of the British Government—speaking, as they endeavour to do, not for Great Britain alone, but for the whole Empire—do not carry with them."

Lord Salisbury even went further, and expressed a wish for the establishment of a tribunal. He said, 16th July 1896:—

"The whole subject is under investigation by a Royal Commission, who, it may be hoped, will furnish suggestions for regulations to which the Government of the day may be able to conform, without any fear that the steps which they may think necessary for the defence of the Empire will be made the subject of discussions which may be injurious to the interests of the Empire. . . . . Early in the present year I was so impressed in favour of such a course being adopted, that I laid before my colleagues a proposal for the appointment of a tribunal which should be so impartially composed as to obtain the confidence of the taxpayers of both England and India, which should consider the relative interests and rights of the two portions of the Empire; but, when we came to consider the details of the proposal, we came to the conclusion that we could not carry such a scheme into effect until the Royal Commission had made their report. I much regret that it was necessary to postpone the consideration of such a proposal, because I am satisfied that, if it were carried into effect, we should have reached a solution of the difficulty which would operate in a far better manner than the present system does, and would enable us in many ways to show our sympathy and generosity to our Indian fellow-subjects."

305. For the reasons already given, we consider that such a tribunal could only be one of mediation, and that any principles which could be enunciated, could not have a

final compulsory character; but we think that principles might be laid down which would have a most powerful influence when future decisions are under consideration, whilst a tribunal (if it could be formed) would certainly facilitate their application to future circumstances. Troops temporarily borrowed.

306. It is in this light that we have considered the proposals submitted to us in evidence by Lord Northbrook. In the first place, his Lordship, dealing with the employment of troops outside India, finds in the geographical scene of the operations of the troops a clue to the solution of the problem of contribution. He thinks that the United Kingdom should pay all the cost of forces in Europe, and that within a certain area outside of Europe the question should be considered whether India has a direct and substantial interest in the object for which the troops are required; and that, if she has such an interest, a partition of cost should be made. Qq. 14,182–85.

307. We agree with his Lordship that the principle of geographical distribution might be accepted as affording fair *primâ facie* ground for the allocation of cost, and that it would be desirable to lay down the principles of such a distribution in an official paper to which the Governments of the United Kingdom and of India should be parties. We accordingly submit for consideration the heads of a Treasury minute which might be drawn with that object.

The minute, approved on the one hand by Your Majesty's Government, and on the other hand by the Secretary of State for India in Council after consultation with the Government of India, might provide—

1. That India has not a direct and substantial interest in the employment of forces in Europe; in Africa, west of the Cape of Good Hope; in Asia, east of China.
2. That India has a direct and substantial interest in keeping open the Suez Canal, and in the maintenance of order and established government in Egypt so far as the security of the Suez Canal is affected thereby. This interest might extend to the coasts of the Red Sea only so far as to maintain the inviolability of that shore, but not to the Soudan, or further extensions of Egypt up the valley of the Nile or its affluents.
3. That India may have a modified interest in questions affecting the East Coast of Africa as far as Zanzibar, and the African islands in the Indian Ocean, except Madagascar.
4. That India has no direct or substantial interest in the African coast south of Zanzibar.
5. That India has a direct and substantial interest in questions affecting Persia, and the coast and islands of Arabia and of the Persian Gulf.
6. That India has a direct and substantial interest in questions affecting Afghanistan and that part of Central Asia which is adjacent to the borders of India or Afghanistan.
7. That India has sole interest in punitive expeditions on her borders.
8. That India has a direct and substantial interest in questions affecting Siam.
9. That India has a modified interest in questions affecting China and the Malay peninsula.
10. That India has no direct or substantial interest in Japan or countries or islands east and south of China.
11. That special cases may arise giving to India a direct and substantial interest in questions connected with Europe or other territories in which the minute declares her to have, as a general rule, no interest.
12. That in every case where the two Governments are not agreed, no contribution should be made by India until the sanction of Parliament has been obtained.

308. In the next place, Lord Northbrook would apparently give the Government of India a power of absolute veto upon contributions proposed by the Imperial Government, but he points out that "this arrangement would be quite outside the statutory rights of the Secretary of State in Council and the power of Parliament." It might, however, be provided that if the veto of the Indian Government is over-ruled at home, the veto, together with the decision over-ruling it, must be laid before Parliament, and that no charge should be imposed upon India until it has been approved by Parliament. Qq. 14,168–70.

We think it worthy of consideration, as an alternative, whether in the event of the two Governments of the United Kingdom and India not agreeing upon the question of "distinct and special" interest, reference might not be made to a tribunal, such

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as Lord Salisbury suggested, before the final authority is invoked. At this point it must be remembered that the 55th section of the Government of India Act (1858) provides that the revenues of India are not to be applied to any expedition beyond the frontiers of India, except with the consent of both Houses of Parliament. Lord Northbrook considers that in the case of the Perak Expedition, which took place during his Viceroyalty, the statute was distinctly neglected by the Home Government, and that an unconstitutional charge was made upon India, notwithstanding a remonstrance from the Government of India.

For the object in view, a committee, might, perhaps, be constituted of two members appointed by Your Majesty's Government, and two members appointed by the Secretary of State in Council, and of a Chairman to be selected by the four members. This Committee should make a report to the Government, which should be presented to Parliament, and the Government, within a prescribed time, should present its final determination for the ratification of the two houses. The Treasury Minute would aid the Committee and the two Governments in arriving at a decision.

3.—Naval Charges.

309. We consider next the contribution made by the Government of India towards the charge of vessels of the Royal Navy stationed in Indian waters.

Up to the year 1862 India maintained a navy of its own.

The Indian Navy was created by Charters of Charles the Second and James the Second authorising the East India Company to maintain an armed naval force for the defence of its possessions and for the prevention of interference by "interlopers" or trespassers on the trade monopoly of the Company. This force appears to have developed into the Bombay fleet. Subsequently a naval force was established in Bengal, and in 1829 the two forces were joined and became the Indian Navy. It is difficult to define the respective duties and responsibilities of the Royal Navy and of the Company's navy in Eastern waters during the last century, during the great war, and down to the termination of the trade monopoly of the East India Company in 1834. It may, however, be generally stated that the Crown in those times did not and could not keep any considerable force in Eastern waters for the protection of India and of Indian trade, and that the Company relied in great measure upon itself for the defence of its own interests against enemies or against English trespassers on its privileges. A great change, however, took place when the China trade was thrown open in 1834. The Company might be required to maintain at sea its own monopoly, while that monopoly continued, but it could not be expected, under the new order of things, to guard the interests of its competitor, the ordinary British trader. Open trade with China and Japan, and the gradual growth of Australasian commerce, threw new and increased responsibilities upon the Royal Navy. The process was gradual, and necessity for formal partition or definition of the respective duties of the Royal and Indian navies probably did not arise. The Secretary of State, in his despatch of August 30th, 1861, testified to the efficiency with which the Indian Navy had discharged the various local duties for which it was "mainly organised," but, he added, that it had constantly been employed at a distance from the coast of India in the suppression of piracy and of the slave trade, and also in regular warfare. For instance, we note that it had co-operated with the Royal Navy in the China war, in the Borneo expedition, and in the New Zealand war, and an Indian naval squadron was for some time associated with a Royal squadron in the China seas. No payment appears to have been made by Great Britain in acknowledgment of these general naval services rendered by the Indian Navy in Eastern seas, and that fact supports to a certain extent the contention that no partition of duties had been made between the two navies. The Royal Navy was small, and comparatively few Royal ships could be detached for service in Eastern seas. The Indian Navy, therefore, supplemented the Royal Navy, and the two forces acted together as the exigencies of the moment made it convenient. The Secretary of State for India, in a letter to the Admiralty, October 20th, 1862, stated his opinion that the general defence, the protection to "trade generally, and the measures for putting down the slave trade on the East Coast "of Africa, which had hitherto been performed, partly by H.M. Navy, partly by the "Indian Navy, should be undertaken altogether by H.M. Navy."

Qq. 6923, 6927.

310. For the years 1851 to 1857 the Indian seagoing fleet in Indian waters, viz., the Red Sea, Arabian Sea, Persian Gulf, and Bay of Bengal, appears to have consisted, on the average, of about seven steam frigates, and as many sailing vessels, apart from receiving ships and surveying vessels. It was increased during the Indian Mutiny. The published accounts do not afford the means of accurately stating the cost of this fleet, but an approximation to it can be arrived at from the ordinary charges at Bombay, which seem to have consisted in the main of that cost, exclusive of charges in England. They amounted in the years 1861–2 and 1862–3 to Rx. 358,000. Furlough allowances and pensions to the Indian Navy paid in England in those years amounted to 37,000*l.** Lieutenant Low, in his history, says the average annual cost for the 10 years, 1853 to 1862, was probably less than Rx. 350,000. Lord Rosebery in his award put the cost at the time of the abolition of the sea-going fleet at over 300,000*l.*, and the Treasury, in their Minute of the 12th July 1892, stated that they were well within the mark in estimating it at 300,000*l.*

Naval Charges Appendix, No. 46, Vol. II., p. 315.

In 1861, when the Mutiny had been quelled and when order had been re-established, the financial condition of India required serious consideration. In that year the Viceroy wrote to the Secretary of State recommending that Her Majesty's Government should place a force of ships at the disposal of the Indian Government for the naval defence of India, that the force should never be withdrawn without the consent of that Government, and that the cost of the force should in part be defrayed out of the revenue of India; that the Indian Navy should then be abolished, and that a transport service should be created in its place. Sir Charles Wood, then Secretary of State, did not accept this suggestion, holding that "it is contrary to the true "principles of naval warfare that any portion of the naval force of a country should be "confined to the defence of one particular place." Finally the Indian Navy was abolished in November 1862, and the Admiralty undertook the general naval defence of India, the protection of her trade generally, and the putting down the slave trade on the Eastern Coast, without at that time asking for a contribution from Indian revenue.

App. No. 47, Vol. II., p. 359.

Upon this point the Admiralty remark that, as far as they are aware, the question of charge was not then discussed or considered. They point out that an arrangement transferring permanently to the Imperial Exchequer the charge hitherto borne by India could not have been made without the assent of the Treasury, and that the Treasury was not consulted.

311. This arrangement continued in force from 1862 to 1869. On the 23rd January, 1869, the Admiralty raised the question of a contribution from India. Writing to the India Office they said:—

"My Lords would venture to suggest, for the consideration of His Grace the "Secretary of State, whether the time has not arrived for adjusting the proportions "in which the cost of the naval squadron on the East Indian Station should be borne "by naval votes and by the revenue of India. The entire expense of that part of the "squadron employed on the suppression of slave trade on the East Coast of Africa will "be provided for out of Imperial funds; and my Lords would propose that the cost "for the maintenance of the ships employed in the Bay of Bengal, the Arabian "Gulf, and the Persian Gulf and the Red Sea should be charged on the revenues of "India, observing that the strength of the squadron will have to be modified to meet the "increased duties required to carry out the policy of the Indian Government in the "Persian Gulf." They proposed that India should make a contribution of 70,000*l.* a year towards the service, that being the assumed cost of a naval force of 1,000 men at 70*l.* per man.† After some correspondence this contribution was accepted, and it was paid from 1869 to 1887. In the latter year, the number of ships in the squadron was diminished, and the contribution was reduced to 38,500*l.* a year, together with a yearly payment of 5 per cent. towards the cost of a vessel in the Persian Gulf. The Imperial Government, however, thought this contribution insufficient, and the Treasury urged a reconsideration of the question. A long correspondence ensued, and the two Governments being unable to come to agreement, the question was referred in 1891 to a Conference which met at the Foreign Office under the presidency of the Prime Minister, Lord Salisbury, and at which the Treasury, the Admiralty, the Foreign Office, and the India Office were represented. The

* This charge, however, included pensions payable to the Bengal Pilot Service.

† An additional charge was made against India for coal used by H.M. Vessels in the Persian Gulf.

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following is an extract from a memorandum recording the conclusions at which the Conference arrived :—

"The basis of 70*l.* per annum per man is objected to by the Treasury and Admiralty as obsolete. The Indian Government is to be consulted as to the number and class of ships required in the Persian Gulf, and off the coasts of India for Indian purposes. When that number is settled by the British and Indian Governments jointly, it will be arranged that the ships are not to be employed beyond certain limits to be agreed upon, except with the consent of the Indian Government. They will be under the control and orders of the Naval Commander-in-Chief, to whom will be sent the wishes of the Indian Government, with which it will be his duty to comply. India is to pay the whole cost, effective and non-effective, of them.

"Special reference was made, in this connexion, to the example of the Australasian Colonies (which are contributing liberally for the protection of their floating trade)."

312. The two Governments, however, were unable to agree upon a definition of the term "Indian purposes" used by the Conference, and after a long correspondence it was decided in 1894 to refer that question to the arbitration of Lord Rosebery, then Prime Minister. His Lordship undertook the duty, and, on the 19th of February 1895, he made the following award :—

"10, Downing Street.

"When in 1862 India gave up her fleet, that fleet undertook (at a cost of over 300,000*l.* per annum) in conjunction with the Imperial Navy—

"1. General defence.

"2 Protection of trade.

"3. Suppression of slave trade locally or on East Coast of Africa.

"[I am aware that the India Office contests this definition of the responsibilities of the old Indian fleet, but the correspondence between the Admiralty and the India Office in 1862 does not appear to me to be susceptible of any other interpretation than that which I have given above.]

"As regards the last of these three functions, it may at once be laid down that India should not be called upon to contribute to anything but the suppression of the local slave trade.

"As regards the second, it may be admitted that India cannot be asked to undertake the entire protection of her general trade. That she should, however, contribute nothing under any circumstances to that protection, seems to be a proposition difficult to maintain.

"The general and effective defence of her own waters, and those of the Burmese Empire, as well as a certain surveillance of the coast of Siam, do certainly fall within her province.

"This last is no doubt a new function, but it is entirely bound up with our Indian Empire, its growth and its changed conditions. It is, therefore, distinctly an Indian purpose.

"In consideration of India carrying out these objects in a thoroughly efficient manner, she might be exempted from any further naval responsibility. But I am of opinion that the arrangement now to be made by the two departments should, in the interests of both, be subject to periodical revision at fixed intervals.

"My conclusions, therefore, are :—

"(1.) That the old Indian Navy did perform or co-operate in the performance of duties more extensive than are now admitted under the expression 'Indian purposes,' as limited in the India Office case.

"(2.) That this expression cannot be limited to merely maritime police and the repression of piracy, but must be held to include some portion, at any rate, of the duties devolving on the Royal Navy for the defence of India and the protection of trade in Indian waters.

"(3.) That the transaction of 1862 represented at most a temporary waiver of the claim of the Imperial Government to a contribution from India in respect of the performance of those duties.

"(4.) That in any case nothing then said or done could affect the right of the Imperial Government to raise such a claim on its merits at any subsequent period.

"(5.) That the basis on which such a contribution should be calculated does not admit of a permanent definition, but should be settled between the Home and Indian Governments from time to time at fixed intervals of, say, 10 years."

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It was agreed between the two Governments that effect should be given to the decision of the Foreign Office Conference and to the award of Lord Rosebery. India has to maintain the charge of ships required for Indian purposes, and 5 per cent. upon the cost of their construction. The Admiralty held that five ships of 6,605 tons were required, and calculated the annual cost of these ships at 117,000*l.* in addition to a separate charge (4,000*l.*) for the repairs of the "Sphinx." The Indian Government urged that a smaller force of 3 ships of 750 tons only were necessary. The view of the Admiralty prevailed, but the Imperial Government agreed after the first year to reduce the annual contribution from 117,000*l.* to 100,000*l.*,* and they waived claims on account of previous years amounting to 183,000*l.* This arrangement will terminate in 1901. The Secretary of State for India accepted it with reluctance in a despatch to the Government of India dated the 26th June 1895. He expressed himself as follows: "But as to the annual payment, I was of opinion that while a "reference to arbitration would probably not result in better terms than those offered "by the Admiralty, it might possibly increase the Indian payment beyond that which "the Admiralty were willing to accept. I decided, therefore, to accept the proposed "compromise, which is, I am satisfied, the best arrangement which could be secured "in the interest of India."

The India Office, however, appear subsequently to have somewhat modified their view, for on the appointment of this Commission, they laid before us a memorandum on the subject. This memorandum states that in view of the decision given by the Prime Minister, the India Office did not desire to dispute the arrangements recently made upon any arithmetical or technical grounds. But the attention of the Commission was requested to the broad question whether it is right to exact from India within 17,000*l.* of the full charge, effective and non-effective, of the squadron, seeing that—

Appendix, No. 48, Vol. II., p. 370.

"(1.) Although the admiral is required to comply with the wishes of the Government of India when communicated to him, still the ships are not at their disposal in the same degree that the Army is.

"(2.) The vessels not employed in the Persian Gulf are under the command of the Admiralty, and must be occasionally employed on other than Indian services (*see* Treasury letter of June 30th, 1888) for which India gets no return.

"(3.) The number and class of the vessels employed is not that which the Government of India think necessary, but that which the Admiralty determine."

313. We have taken the subject into consideration, and we have received evidence from representatives of the Government of India, and of the Admiralty. Captain Hext, Director of the Indian Marine appeared before us on behalf of the Government of India. He argued, in fact, against the principle of any contribution by India for naval protection. If so, it appears to us that he differs from, and goes beyond, the views of the Government of India itself as expressed in 1861, and the views of the Secretary of State as expressed in 1895, and in the memorandum before us.

We confine ourselves to the question put by the Secretary of State. He asks whether, under all the circumstances, it is right that the Imperial Government should exact from India within 17,000*l.* of the full charge effective and non-effective of the squadron of the Royal Navy detached for the service of India.

The situation is as follows:—

India maintains a local marine force for local purposes, which are defined in the preamble of the Indian Marine Act of 1884. These purposes are the transport of troops, the guarding of convict settlements, the suppression of piracy, the visiting of lighthouses, the relief of wrecked or distressed ships, the survey of coasts and harbours and other local services. This force consists of 10 sea-going ships and five river steamers. Further, India is responsible for the defence of her coasts, and with that object she has constructed at her own cost and keeps two turret ships and several torpedo boats and torpedo destroyers. The Admiralty maintains and works these defence vessels in return for an annual payment by India of 61,000*l.* The Indian Government has built and maintains a dock at Bombay chiefly for the accommodation of trade, but of service also, free of charge, to Your Majesty's ships. Lastly, the Admiralty undertakes the general naval defence of India, and the protection of her

* A further charge is made against India for coal used by H.M. ships in the Persian Gulf, and on other services performed at the request of the Indian authorities.

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trade, and India contributes towards the cost of such general defence an annual sum of 100,000*l.**

The question of the Secretary of State refers to the last of these arrangements.

We have shown that India formerly maintained a navy of her own, that her fleet not only took part in the general defence of her coasts and trade, but co-operated with the Royal Navy on expeditions far remote from India; and that it entailed on the Indian exchequer a charge, estimated in days less costly than the present, at something over 300,000*l.* This was the charge borne by India which the Crown took over from the Company. We have shown also that the Government of India proposed, in 1861, to abolish the Indian Navy, offering to pay a yearly contribution to the Imperial Government if the Admiralty would undertake the naval defence of India; that the Indian navy was abolished, and the Indian exchequer relieved of the heavy charge which related to naval defence; that the Royal Navy has undertaken the duty of defending India by sea; that during the first six years of the new arrangement no contribution was asked from India in respect of it, but that from 1869 India has paid a contribution, varying from 70,000*l.* to 40,000*l.*, and finally fixed upon principles laid down by two prime ministers, Lord Salisbury and Lord Rosebery, at 117,000*l.* for a period ending in 1901, reduced with the consent of the Admiralty and Treasury, to a round annual sum of 100,000*l.* The estimate of 117,000*l.* does not represent the cost of all the vessels of the Royal Navy on the East Indian station. It represents the charge of those vessels which the Admiralty think necessary for the defence of India. Further, it represents only the specific charge of so many vessels of a certain tonnage and so many men. It does not represent the proportion which that tonnage and that number of men would bear to the tonnage and number of men in the whole navy. No general charges, therefore, are included. Indeed, it cannot be said to be otherwise than a moderate estimate, when we compare 100,000*l.*, the sum which the Admiralty asks, with the sum which the Government of India did not think excessive in the days when the Indian Navy existed.

When, therefore, we are asked whether India ought to pay a contribution, moderate in itself and which is considerably less† than the estimated actual cost of the squadron detached for her defence, we can only answer that the contribution asked of her is not excessive. That squadron is not a full measure of the naval aid which the Imperial Government renders to India. The British Navy, not that small squadron, constitutes the reserve upon which, in case of naval emergency, India would draw, and to that reserve India does not contribute.

On the other hand, it is argued that the Colonies are more liberally treated than India, but in considering this plea we must draw a distinction between Colonies. Malta, Gibraltar, Singapore and Hong Kong are Imperial coaling stations or garrisons. They are essential to the United Kingdom as a great Naval Power, and they do not enter into the comparison. The plea applies to the great self-governing colonies, Canada, the Cape, Australia and New Zealand.‡ It is true that these colonies made no contribution to Naval Expenditure at the time when the Indian Navy was abolished, but in 1862 these colonies had sparse populations, and were only beginning the career under which they have advanced to the rank of States forming part of Your Majesty's Empire. The time had not arrived for calling on them to acknowledge Imperial obligations. Australia and the Cape, however, now contribute to their naval defence, and though their contributions differ in detail from the contribution which India makes, they do not, we believe, compare unfavourably with it. We do not think that a reduction of the contributions can fairly be based upon this plea.

314. So far we have considered the general reasons which may be advanced for or against the contributions; but the India Office base their claim on specific reasons: (1) that, although the admiral is required to comply with the wishes of the Government of India, still the ships are not at the disposal of India as the army is; (2) that the vessels not employed in the Persian Gulf must be occasionally employed on other than Indian services. We do not think that these pleas constitute a reason for a reduction of the contribution. The Foreign Office Conference laid it down that the

* Any outlay which may be incurred in repairing the Sphinx, one of the ships of the Royal Navy on the East India station, is charged separately to India; also the cost of coal used by ships of the East Indian squadron when employed in the Persian Gulf, or on the service of the Government of India.

† The cost of the squadrons is 117,000*l.*, the actual contribution 100,000*l.* Therefore the Indian Exchequer pays, in round figures, 86 per cent. of the cost, the British Exchequer, 14 per cent. besides those general charges which form a heavy item in the naval estimates, but which cannot be apportioned out among the ships.

‡ Halifax, Simons Bay and Trincomalee are also coaling stations, which it is the duty of the Imperial Government to maintain and defend.

ships are not to be employed beyond certain limits to be agreed upon, except with the consent of the Indian Government. The ships are to be under the control and orders of the Naval Commander-in-Chief, to whom will be sent the wishes of the Indian Government, with which it will be his duty to comply. We understand that these conditions are complied with, and they appear to us to secure to the Government of India a sufficient control. Naval Charges.

(3) The India Office further object that the number and class of vessels is not that which the Government of India think necessary, but that which the Admiralty determine. We think that the contention of the Government of India on this point is worthy of further consideration. They say that they require for the police of their coasts a vessel of the tonnage of the "Sphinx" (1,130 tons), and two smaller vessels (755 tons). The Admiralty has replied that vessels of this size do not meet the requirement of Lord Rosebery's decision that Indian purposes include some portion of the duties devolving on the Royal Navy for the general protection of trade in Indian waters. The Admiralty, therefore, contends that the "Marathon" (2,950 tons) must be one of the ships, the detailed cost of which is to be paid by the Indian Government. The Government of India on their part agreed, though unwillingly, to include the "Brisk" (1,770 tons) among the ships for which they are to pay 'in accordance with Lord Rosebery's award.' But for the police of their coasts they thought the "Sphinx" and two vessels of the "Pigeon" class (755 tons) sufficient, the cost of these three being 53,881*l.* The Government of India is bound to satisfy the two-fold requirement of Lord Rosebery's award, but it does not necessarily follow that India should pay her contribution to the general charges of the Royal Navy in the shape of the detailed cost of particular ships. If ships of the size and number which the Government of India require for the special purpose of coast police were supplied at the actual cost, and the balance of the 100,000*l.* were paid over in the lump as the contribution of India to the general cost of the Navy, it seems probable that the cause of much friction would be removed. The admiral would have a freer hand, while his responsibility for fulfilling all duties attaching to the Royal Navy would remain precisely the same. We think that there is nothing in Lord Rosebery's award to debar the Government of India from representing their case from this point of view, if they think that their relations with the Admiralty may be thereby placed on a more satisfactory footing.

Letter of May 30, 1895. Appendix No. 46, Vol. II., p. 344.

Letter of May 23, 1895. *Ibid.*, p. 343

315. We cannot, therefore, conclude that the India Office has made out a case for a further reduction of the contribution; and we think that, as Lord Rosebery's award was only given in 1895, the present arrangement might continue in force for five years beyond 31st March, 1901, the date at which we think the financial relations between Great Britain and India in regard to Army, Navy, and Civil Service might be reviewed with advantage.

II. SETTLEMENT OF ADMINISTRATIVE CHARGES.

316. Our report has shown that questions of financial administration are constantly pending between the two Governments, and that the Home Government undertakes various services for the Indian Government, or in which the Indian Government has an interest. Difficulties arise in adjusting the claims which the Home Government puts forward in respect of such services, and these difficulties lead to protracted official correspondence with no satisfactory result.* It is clear that such differences between the two Departments can only be decided by arbitration; but it is essential to the principle of arbitration that the award of the arbitrator should be accepted as final until such time as may be appointed for a revision of arrangements. This rule has not always been fully understood in the discussions which have taken place between the two Governments, and we would urge the absolute necessity of its observance if arbitration is in future to terminate inconvenient and fruitless disputes. Upon these disputes Lord Northbrook said "I entertain the very strongest opinion, and the "same opinion has been expressed by the Government of India in Lord Lansdowne's "time, and I think it has been expressed by Lord Lansdowne himself in Parliament. "It was expressed quite recently very strongly by Lord Elgin's Government. I think "that these controversial questions between the two Governments—I am going to "use a strong word, but I do not think it is too strong—are almost a scandal "* * * I cannot express my opinion too strongly upon the political

Q. 14,257.

* For instance, see Appendix, No. 85, Vol. III., p. 374, on the subject of the cost of Ordnance Stores—a question in regard to which we have not considered that we had sufficient material before us to enable us to arrive at a satisfactory conclusion.

" importance—I should almost say necessity—of some arrangement being made " which will put an end to these controversies."

Again, he said, " All these little discussions are exceedingly annoying and wearisome
Q. 14,305-6. " * * *. Supposing that some arbitrator could be accepted between the " War Office and the India Office who could have no special knowledge of the subject " and no connection with the Government of England or the Government of India, " and that a case could be agreed upon between the Departments that could be put " before him rather in the way of legal arbitration. I really think that might be " accepted as a way of settling a great many of these questions. * * * " I cannot suggest anything better than to take a sensible judge of high character " accustomed to deal with such questions, like the late Mr. Justice Hannen." If the arbitrator wanted further information beyond the cases put before him "let him ask for it: do not put experts alongside of him at all."

317. We agree with Lord Northbrook, and think both Governments might trust on these departmental questions to the perfect impartiality of a man of judicial position. We believe, moreover, that if the Departments knew that their cases would come before such an arbitrator there would be an anxiety, especially on the part of the disputant who had the weaker case, to come to agreement. We believe that the Departments themselves would be glad of a ready mode of settling their disputes, and we accept Lord Northbrook's views as to the political importance, the necessity, it may almost be said, of an arrangement which will put an end to these controversies. It would, of course, be well understood that the arbitrator appointed for this purpose would not deal with questions of policy. Differences of opinion upon departmental questions would alone be referred to him, but it must be part of such an arrangement, if it is to be effective, that both Governments should bind themselves beforehand to accept loyally the arbitrator's award.

III.—LIBERAL TREATMENT.

318. We come now to the last and most difficult section of our Report, that which deals with the appeal for liberal treatment. The claim of the Government of India is twofold. (1) They have asked specific reductions on various services, and (2) they appeal generally for liberal treatment in the apportionment of common charges.

319. (1) We have dealt with the claims for specific reductions in previous sections of our Report, and in examining them, we have, in the main, considered the two Governments as partners in certain common services towards the cost of which each Government makes a proportionate contribution. We have in several instances recommended that the Imperial Government should take a larger share of the cost, but in no instance have we proposed that the contribution of India should be increased.

320. We must be careful to note the aspect in which this question of liberal treatment comes before us. The India Office raises no objection to the calculations by which the present effective charges are arrived at, nor as to the method of dividing the non-effective charges. The principal item under effective charges is the sum obtained by applying a capitation rate which covers the charge for recruitment and some other items, and which was fixed by Lord Northbrook's Commission for 1890-1 and 1891-2, and has since been continued from year to year. The capitation rate is accepted for the time being both by the War Office and the India Office, both departments acquiescing in its continuance for the present. We are therefore not called upon to examine in detail the calculations on which it is based. The War Office is prepared to argue that the charges which are represented by it might be higher, but the proper time to consider this contention will be when the calculation is revised. The India Office, while not questioning the calculations for existing apportionment, invites our attention to certain " general principles of great importance, as militating against the equity of a merely arithmetical division of the charges." These principles are of a general nature, distinct from the calculation of the fair cost of the services paid for, and it is not beyond our duty to form an estimate of their value. We must, therefore, keep in mind that the India Office does not seek to open up the capitation rate, but urges some general considerations which are held to make against a strict enforcement of the financial bond.

321. (2) The memorandum* laid before the Commission by the Financial Secretary of the India Office states, in the most effective manner, the claim for liberal treatment. We take from it the leading points upon which the Secretary of State relies. Liberal Treatment.

A Select Committee of the House of Commons reported on Indian finance in 1874. They stated that they had received an impression from papers and evidence before them that charges had in some instances been imposed upon India which ought to have been borne by England. They had, however, been assured by various witnesses that a very general desire prevailed among the different English departments not to throw any charge on India improperly. The Committee strongly insisted on the importance of securing for India strict impartiality in all her financial arrangements with England. They agreed in the opinion which had been "very emphatically "expressed by the Marquis of Salisbury, that the most effectual way of securing "financial justice for India was for the House of Commons to be constantly watchful "on her behalf."

The Committee proceeded: "They cannot lay down too strongly the position that "the English estimates ought not to be relieved at the expense of the Indian revenue, "but that the Secretary of State for India in Council has the constitutional right of "refusing to pay for objects in which he considers that India has no interest. At the "same time India, as a component part of the Empire, must be prepared to share "in the cost of a system the expense of which may be enhanced for Imperial "purposes."

They suggested that the payments from India should be as much as possible in the form of fixed rates for particular charges, for the obvious purpose of avoiding frequent reopening of accounts, and delays in settling claims. Such sums should be, in the first instance, arrived at by careful computation, but, when once fixed, they should continue without alteration for as many years as may be deemed advisable.

They added, "Your Committee would remark that while there appears to be "every disposition among the heads of other departments to consult the India Office "upon proposed changes which may affect India, yet this has sometimes been "omitted, in consequence of the fact that India may be affected by such changes "having been overlooked; and the India Office, as the controlling authority, has "occasionally acted independently of, or not in accord with, the opinions of the "Government of India in India. In reference to these points your committee suggests "that, although the interests of India must be subordinate, like those of any other "portion of the Empire, to the common interests of the Empire as a whole, and that, "although the best information upon almost every subject connected with India may "be generally obtained in this country, yet that even the appearance of neglect may "be misunderstood and magnified by the Natives of India, some of whom take the "most intense interest in the minutest details of the policy adopted by this country "towards its Indian possessions, and attach, perhaps, exaggerated importance to points "which may pass unobserved by those who have to perform the arduous task of "governing a vast and varied Empire."

The recommendations of the Committee which affect our inquiry may be summarised as follows:—1. That strict impartiality in financial arrangements must be secured for India. 2. That that impartiality will be most effectually secured by watchfulness on the part of the House of Commons. 3. That English estimates ought not to be relieved at the expense of Indian revenues. 4. That India, as a component part of the Empire, must be prepared to share in the cost of a system, the expense of which may be enhanced for Imperial purposes. 5. That the payments by India to England should take the form of fixed rates carefully computed, and that these rates should continue without alteration for a period of years. 6. That care should be taken always to consult the India Office upon proposed changes which may affect India.

We concur in the views of the Committee, and we are mainly guided by them in the opinion which we express.

With reference to their last point, we may mention that with their letter of the 27th February 1895 the Government of India enclosed a list of charges "imposed upon the "Indian revenues in consequence of orders of the War Office issued in all cases "without the concurrence of the Government of India, and in some cases without "that of the Secretary of State for India having been previously obtained." The

* Appendix No. 48. Vol. II., p. 362.

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instances are probably few in which the India Office has not been consulted, but we have no hesitation in saying that there ought to be no such instances. Further, we agree with Lord Elgin's Government in the representation made in the same letter, that no concessions to troops or other alterations which would involve expenditure in India should take effect in India till the 1st April following their adoption.

322. The India Office quote, in the memorandum to which we referred in paragraph 321, in the first place a letter from the Secretary of State (Duke of Argyll) to the War Office, dated September 8th, 1871, in which he complains of the great burden thrown on the Government of India after the abolition of the local European army. "This "additional cost," he said, "should be kept within the limits of real necessity, and "should not be aggravated by the maintenance of a system of recruiting which "appears to be extravagant, and to have no reference to the exigencies of Indian "service."

323.—1. They then point out that short service has imposed a heavy additional charge for transport, and they argue further that short service is not beneficial to India, except when India requires reinforcements of British troops from the reserve, and then only if such reinforcements are supplied free of other charges than that for transport. They further state that under short service, although pensions are diminished, there is an increase of over 200,000*l.* on account of the effective charge for "deferred pay."

They say:—

2. That India is utilized as a reserve for England in a much truer sense than England is for India; that England not merely claims the services of British regiments for the time stationed in India, but that she frequently uses the Native regiments, towards the cost of which she has in no way contributed: that it may, therefore, be reasonably urged that England ought to assist in the maintenance in India of so large a force upon which England does not hesitate to draw;

3. That India not only pays the whole cost of the maintenance of this large force, but that when Indian troops are required for service out of India on Imperial account, she is frequently called on to bear their ordinary charges, even for the time during which she is deprived of their services;

4. That India affords the best training ground for the British Army during peace; that service in India is attractive, and that the liberal treatment of the Indian Government induces both officers and men to enter the Army with the hope of obtaining employment in India. A large and valuable portion of the Reserve, they say, consists of men whose training has been almost entirely acquired at the expense of India.

App. No. 48, Vol. II., p. 365.

5. The India Office Memorandum quotes two despatches of the Government of India, dated respectively 10th August 1883 and 25th March 1890. In the former the Government of India argues that there is no true partnership, or, at any rate, no freedom of contract between England and India; that the Indian authorities have scarcely any voice at all in the adoption of military reforms; and that there is not that identity of interest in measures (such as short service) which is essential in partnership. The despatch of March 25th, 1890, is a very full and elaborate statement of the objection of the Government of India to the War Office claims, and of the principles on which they held that the claims against India should rest. The Memorandum quotes the following passage:—

"The revenues of India have been charged with the cost of many changes in organisation not specially necessary for the efficiency of the Army in this country, and with the cost of troops employed on Imperial service beyond the limits of India. Millions of money have been spent on increasing the Army of India, on armaments and fortifications, to provide for the security of India, not against domestic enemies, or to prevent the incursions of the warlike people of adjoining countries, but to maintain the supremacy of British power in the East. The scope of all these great and costly measures reaches far beyond Indian limits, and the policy which dictates them is an Imperia policy. We claim, therefore, that in the maintenance of the British forces in this country a just and even liberal view should be taken of the charges which should legitimately be made against Indian revenues."

324. Passing to the non-effectiv charges, the India Office state that they have no complaint to make regarding th mitcd of dividing these charges, according to the

extent of service rendered by each pensioner to the British and Indian Governments respectively. Liberal Treatment.

6. In regard, however, to the pensions of officers, they urge that by the abolition of the purchase system, which was in no degree effected in the interest of India, a very heavy system of pension was entailed, in which India is compelled to bear her part, in addition to that for her own service.

325.—7. On the subject of partnership they quote a despatch of the Government of India dated the 10th August 1883:—

> "If the division of expenditure between India and England is to be regulated on a purely arithmetical basis, and is to proceed on the assumption that the two countries are partners, having equal interests in respect of their joint undertaking, the Indian authorities should have an equal voice in respect to the desirability or otherwise of carrying any proposed reform into effect. At present the Indian authorities are so far from having an equal voice in the decision on such matters that it may be said, without exaggeration, that they have scarcely any voice at all. It has rarely, if ever, happened that the Government of India has been consulted before any reforms in the organisation of the British Army have been effected, even although the execution of those reforms may have resulted in considerable burthen being thrown on Indian revenues."
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> "The military requirements of England and of India are so different that it is impossible there should be any true partnership in the sense in which we are now using the word. Take the case of short service. . . . The greatest amount of economy and of military strength is to be found in that system which maintains the lowest possible peace establishment, capable of expansion to the highest possible numerical strength in time of war. Hence the adoption of the short service system in England, and generally in most European countries.
>
> "It is evident that the responsible Indian authorities have to approach this question from an entirely different point of view. A reserve of British troops available for service in India would, no doubt, be very useful; but the Indian Government cannot look upon its peace establishment mainly in the light of a school or training ground for the reserve. On the contrary, the first and most important feature in any military organisation suitable to the wants of India is that a relatively high peace establishment should be maintained in order to preserve internal order. We are unwilling to use the common-place argument that India is held by the sword, because, although it is true, we do not consider it is the whole truth; and, moreover, we disagree with many of the conclusions which are frequently drawn from this argument. There can, however, be no doubt that British rule in India rests on force, moral and physical, and, as an inevitable consequence of this condition of things, such a question as that of short service in the Army, with the attendant issue involved in the constitution of a reserve, must be approached, when considering Indian requirements, from a point of view wholly different from that which would be adopted in considering the requirements of England. Under these circumstances, we do not see how any partnership, properly so called, is possible."

8. Lastly, the India Office in their Memorandum point out that the pensions for Indian service are almost entirely spent in England, the revenues of which derive benefit from the income tax levied on their payment, while in many ways the expenditure is advantageous to the country in which it occurs, and the rates are relieved of the necessity of supporting the men, who, but for their pensions, would have to be maintained by their parishes.

326. We have quoted the Memorandum of the India Office at length, in order to give their reasons for asking liberal treatment fully and in their own words. Those reasons may be summarised as follows:—

1. The cost of recruiting is excessive, and short service has increased the cost of transport and entailed a charge for deferred pay. 2. India is used more as a reserve for England than England is for India. 3. India frequently pays the ordinary charges of its own troops used for English purposes. 4. India is a good training ground for the English Army. 5. India provides a large army at great cost to

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maintain British supremacy in the East. 6. The abolition of purchase has increased the pensions of officers. 7. A different organisation of force is needed in England and India; there can therefore be no true partnership between them. 8. The pensions to European officers and soldiers out of Indian revenues are spent in the United Kingdom.

327. Reason 1. We have shown that short service, although it increases the charge of transport, and though it has been accompanied by an increase of pay, will not ultimately increase the burthen on the Indian taxpayer. We have also given our reasons for thinking that the charge against the Government of India for recruiting is not excessive. We do not, therefore, consider that Reason 1 is made good.

328. Reasons 2 and 3 refer, we presume, to the employment of Indian troops on Imperial service out of India. Agreeing, as we do, with the opinion of the Committee of the House of Commons quoted above, that English estimates ought not to be relieved at the expense of Indian revenues, we admit within reasonable limits the force of these reasons, and we have endeavoured to meet them by suggesting a definition of objects and services outside of India in which India may be held to have an interest, and the constitution of a body which may advise the Government on such objects and services.

329. Reason No. 4 states that India is a good training ground for the English Army. This is a military question, but we notice that it is not a reason universally accepted, for so high an authority as Lord Wolseley questions it. We presume the India Office to mean that the small wars of India afford a good training for the Army as a whole. They would hardly argue that mere garrison duty in India affords any special advantages over service at home or in a Colony; indeed, some high military authorities do not consider that ordinary service in India improves the soldier. On the other hand, it might be argued that the various wars and expeditions conducted by the Imperial Government afford a good training for the Army as a whole. We do not think that this reason affords a sufficient ground for transferring a part of the charge of the Indian Army from the Indian to the British taxpayer.

330. We differ from the Indian Government (Reason 6) in thinking that the increase of pensions which followed the abolition of purchase in the Imperial army, is an Indian grievance. Purchase was abolished because it was decided to be bad, and its abolition was a benefit to the whole army, whether in England or in India. Its abolition placed the English army on the same footing as the Indian Native army. A liberal pension system existed for officers in the Indian army, and a liberal pension system was established for officers in the English army after the abolition of purchase. In both cases a pension system was, doubtless, found necessary to secure the efficiency of the army.

331. Reason No. 8 urges that the pensions granted to European officers and soldiers are for the most part laid out at home, and that the United Kingdom obtains in consequence an advantage from the expenditure of that amount of Indian revenue here. There is some force in the argument. We have said that owing to changes in the method of paying the War Office claims it is difficult to make an accurate estimate of the Indian share of pensions granted to officers and men of the British Army.

But these pensions are part of the consideration paid for the service which the soldier has already rendered. The Indian Government employs the soldier for a certain remuneration present and deferred. The deferred pay or pension is part of the contract, and when the soldier has performed his stipulated service he is entitled to the pension which formed part of the contract with him. He is at liberty to spend that pension when and how he pleases, and India is not entitled to claim that it ought to be spent in India.

332. Lastly, in Reasons 5 and 7, the India Office quote letters from the Government of India which contend (1) that India provides a large army to maintain British supremacy in the East, and (2) that there is, and can be, no partnership in the true sense of the word between the two Governments.

In paragraph 323 we have quoted from the India Office memorandum an extract from the letter from the Government of India of 1890 in which their view is stated; and the case, as put in that despatch, was substantially re-asserted in evidence before us by Sir E. Collen, on behalf of the Government of India. It is necessary to add, to make the position clear, that the Secretary of State has not always entirely supported

the contention of the Government of India. Thus Lord Kimberley wrote in 1884:— Liberal Treatment.
" It having been decided after the assumption of the direct government of India by
" Her Majesty, that a local European force should no longer be maintained, and that Despatch to India, Sept. 25. 1884.
" the European army in India should thenceforward be a portion of the general forces
" of the Crown, it follows, as a necessary consequence, that the British troops in India
" shall, in respect of the period of their service there, be entitled to equal privileges of
" a general character with those employed elsewhere, whether in regard to pay or
" pension. . . . Any decisions of Her Majesty's Government increasing the Despatch to India, No. 68, June 7, 1894. Appendix, No. 45, Vol. II., p. 282.
" pecuniary advantages of the Army must be considered, not as having reference to the
" wants of England alone, but to the interests of the military defence of the whole
" empire, and I am unable to see on what ground India, which requires about one-third
" of the entire British army, can complain of being required to pay her due proportion
" of the cost." And Sir Henry Fowler wrote in 1894, " I admit that, speaking generally,
" and with a reservation in particular cases, the pay and organisation of the Army
" must be made applicable to India as to the Colonies."

In reply, the Government of India wrote, "We feel that it is useless for us to Letter No 4 Feb. 27 1895. *Ibid.*
" combat the alterations in the establishments, rates of pay and privileges sanctioned
" by the War Office for the British army."

333. Upon these points we may, perhaps, state briefly the principles which should, we think, govern the contribution.

For the maintenance of peace within India, and for the defence of its frontiers, an army, drawn from the United Kingdom, must always be encamped there, and, as a European force cannot remain efficient in India beyond a limited number of years, there must be a continual withdrawal of time-expired troops on one hand, and a continual supply of fresh troops on the other.

If India and the United Kingdom were separate political entities, the Indian Government would determine the quantity and the character of the troops it required, and for what time; and upon that basis the United Kingdom, if willing to provide the troops, would be entitled to prescribe the amount of payment for the troops so rendered.

For the moment we assume that it is neither convenient nor inconvenient to the United Kingdom to supply the troops required, and that the character of those serving in India is identical with the character of those required at home. The Home Government is willing to collect, train, and furnish the men if paid the proper cost of them, receiving them back also when the term of Indian service is expired.

334. The first objection made to this analysis may be that the United Kingdom and India are not such independent political entities as contemplated, and that no such view is ever entertained of the relation between the United Kingdom and any Colony This last allegation is true, but, upon the best consideration we can give to it, it seems to us necessary that in the settlement we are endeavouring to effect the United Kingdom and India should be strictly separated in our calculations. The fullest justice is done to both if each is conceived independent of the other, with Governments fighting out their bargains on strict commercial principles. For the moment we are assuming that the European force in India is necessary for its internal and external peace, and we put ourselves in the position of an Indian Government ready to take this force from any military power that would supply it, and bargaining from that standpoint.

335. The next objection that may be made is that the character of the troops wanted for service in India is not so high as the character of those required in Europe, and if India had to bargain for itself, it would be content with troops less highly organised, and with a much less costly armament. This is a military question. On the whole, we are persuaded that it is to the interest of India to receive troops up to the highest standard of European efficiency, some compensation being found for the additional cost involved in the maintenance of this standard in a diminution of the quantity of the force required for Indian service. In this connection attention must, however, be paid to the allegation that the term of service in India is less than what a consideration of the interests of India would prescribe, and that soldiers are sent home a year too soon, in order to meet the exigencies of the conditions of recruiting in England. This would indirectly affect the rate of the capitation grant, which, we have recommended, should not at present be disturbed. We have, however, pointed out that short service will eventually relieve, not increase, the charge on the Indian taxpayer; but that result is not yet attained. In the meantime we recommend,

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as a measure justifiable in the circumstances, that half the cost of the transport of troops to and from India should be defrayed by the Imperial Government.

336. Another argument requiring serious attention is found in the assertion that the military needs of India are much increased by the fact of its political connection with the United Kingdom. It is alleged that whatever India may gain in the security of internal peace through British domination, it is more exposed to external attack through jealousy of Great Britain, and that the United Kingdom should therefore bear some proportion of the increased cost of defence necessary to repel the increase of danger. We are not persuaded of the accuracy of the statements upon which this plea is based. If India could be organised under some Power, reviving in an improved form the authority of the Great Mogul, it would not, in our judgment, enjoy increased immunity from attack; and if any other outside Power took our place as over-Lords, we know no reason why such a Power should be regarded with less jealousy than ourselves. It is fair to point out that under our rule India is open to the commerce of all nations upon the same terms, and we cannot be sure that a change of circumstances might not produce discriminating tariffs very provocative of foreign jealousy. We are unable, therefore, to accept Lord Lansdowne's view that, if India were the dependency of some other Power than Great Britain, she would not have the same external liabilities that she might have now.

Qq. 16,023-8.

Q. 16,005, *et seq.*

337. There remains yet another argument to be considered. It is said that India is a convenience to us in receiving and keeping in service a force we could not dispense with if India was not ready to receive it, or, as it is otherwise stated, if India ceased to be a British Dependency, we could not disband the whole of the forces that would in such a case be called home—some portion of which would still be required to furnish our military arm.

We take this argument into consideration. The Imperial garrison in India may be reckoned in round figures as constituting one-third of the Imperial Army, the remaining two-thirds being employed at home or in the Colonies. It must, however, be remembered that the garrison in India is required for India, and, except to the limited extent which we describe hereafter, is not available for Imperial service.

If, therefore, that portion of the British Army now stationed in India were disbanded, it would be but small loss of effective strength to the Home Government as far as men with the Colours are concerned. What, then, would be the effect on the Imperial Army of disbanding that part of the force which is detached for service in India? It might be thought that the Reserve would be weakened, because there would be no soldiers from India passing into it. But the true effect of disbanding the Indian portion of the Imperial Army would not be so simple. Great importance is attached to the Reserve as a factor in our military strength. It is now about 80,000 strong, and we will assume that a Reserve of at least that strength is to be maintained. It would seem at first sight that, if the Army were reduced by the large number required for India, the Reserve would be reduced in proportion, but this is not so, for the demand for men of uniformly eight years service having ceased, the alternative periods of service in force in the Guards could be substituted, viz., either three years with the Colours and nine in the Reserve, or seven with the Colours and five in the Reserve. Under such a system a Reserve would be created fully equal to the present numbers, from an army numerically smaller than that now maintained at home; and, moreover, a somewhat smaller number of recruits than is now required for the combined Home and Indian Army would be needed.

If then that part of the Imperial Army which is stationed in India were disbanded, it does not necessarily follow that the Army at home must be increased in order to provide the number at present thought sufficient for service at Home and in the Colonies, or to maintain the number at present thought sufficient for the Reserve.

338. But the Home Government has derived and does derive great benefit from the existence of a large effective force in India. The Empire has great and varied interests in the Eastern seas, and although military authorities do not consider that the permanent garrison of India should be reduced below the present number, yet it is possible for India, in time of peace, to lend troops temporarily for Imperial purposes. India has done so repeatedly. She has detached a part of her garrison to aid the British Arms in China, in New Zealand, in Abyssinia, in Egypt, and at the Cape. She has lent them for expeditions in which she had a direct and substantial interest, and for expeditions in which she had no such interest. She thus, in fact, provides in the East a reserve force, which, when India is quiet, can promptly and effectively,

though only temporarily, aid British policy in the East, diminishing to that extent the number of men which, in the absence of such assistance, the Home Government must detach to distant parts from the garrison kept at Home or in the Colonies. It appears to us that India renders, in this respect, a real service to the United Kingdom, and that in respect of it she is entitled to liberal treatment. On the other hand, it may be argued that the army in the United Kingdom reciprocally maintains a reserve of strength available to India in case of extreme need. This is true, but, if we are to judge from what has happened in the past, the circumstances in which India calls upon the United Kingdom for special aid are not of the same kind nor likely to recur so frequently as the calls of the United Kingdom on India. Liberal Treatment.

339. We find it difficult to base on this consideration any specific proposal for the re-apportionment of charges. We have done this in many important cases which have come before us, such as the cost of the India office and of Aden. In other cases we have come to the conclusion that no immediate re-adjustment of apportionment is necessary. We have shown reason for holding that the capitation rate cannot at this time be reckoned an excessive charge for the services which it covers, and we have satisfied ourselves that the payment of India for the cost of ships of war is a moderate contribution for Navy services. We have examined each head of charge, with the object of arriving at a conclusion equitable to India on the understanding that India is to pay, and can pay, a fair price for the services and material supplied to her by the United Kingdom to meet her needs. Further, we have considered certain pleas advanced by the Government of India in favour of a deduction from that fair price, and we have accorded to them such weight as seemed to us due. Lastly, we have urged that before measures involving an increase of military charge are adopted by the Home Government, the India Office, and through the India Office the Government of India, should invariably be consulted; and we have suggested that when a question arises as to the incidence of the cost of troops lent from India to co-operate in military operations beyond her frontiers, such question should be considered by a committee on which India should be represented, and that controversies between the two Governments as to details of military charge should be settled by arbitration. In all these cases we have found it possible to offer recommendations for the practical solution of the questions submitted to us. It is a more difficult matter to express in a practical shape the force of the considerations which we have noticed above, or to draw any definite line between the cost proper of the government of such a dependency, and such other cost as may be more justly attributed to the general policy of the Power of which it is a dependency. If, on the one hand, India imposes a certain strain on the Imperial resources in the supply of services for which she properly pays, and is able to pay, on the other hand she renders certain services, and affords certain advantages to the Imperial Government which should not be disregarded, though they are not so easily estimated at a money value. On this subject we consider that the exceptional position of India as to military charges should always be kept in view, and it will undoubtedly be remembered at the revision of the capitation rate, when the contention of the War Office that India does not pay the full cost of the recruit will also be examined.

CHAPTER IV.

SUMMARY OF THE REPORT.

340. It remains to us now to bring together and summarise the conclusions at which we have arrived in the course of our remarks under the heads of I., Financial machinery; II., Progress of expenditure; III., Apportionment of charge between the United Kingdom and India.

I. Financial Machinery.

Paragraphs 50 to 70. System of accounts, paragraphs 50. 51.

341. We consider that the financial machinery of the Indian Empire is well organized, and that its action is effectively controlled. The district treasury is the unit of financial administration. The revenue received by each treasury is applied as far as necessary, and economically, in meeting the local expenditure; but the accounts of moneys received into or issued from each treasury are promptly consolidated in each province and reported to the Central Treasury at Calcutta. Thus the Financial Member of Council learns early in the month, and from preliminary reports, the total sums received and issued throughout the empire up to the close of the preceding month, and by the close of the month he receives detailed information of his income and expenditure to the same date. He is thus enabled to keep his finger on the financial pulse. In an immense territory, such as that of the Indian Empire, it is essential to financial order that a careful and intelligent watch should be kept over the progress of expenditure in the several provinces. Neglect of this precaution led to the grave errors of estimate during the Afghan war. Since that time the system of report has been much improved, and we are confident that the information now rendered automatically to the Central Treasury enables the Financial Member of Council to keep an effective watch over his expenditure. If error should now occur, the responsibility for it would be due to want of watchfulness at the Central Treasury.

English and Indian budgets, paragraphs 52, 53.

We have noted the distinction between the English and the Indian systems of account. The English system is based not upon the revenue actually received, and the expenditure actually defrayed, but upon the amount of revenue paid to the Central Exchequer account, and upon imprests made from that account to the spending departments; the Indian system is based upon the revenue actually received, and on the actual expenditure. The English method has the advantage of promptitude, as the balanced account of income and expenditure can be made up daily, and is made up weekly for the Chancellor of the Exchequer. The process of ascertaining actual receipt and expenditure under the Indian method is slower, but it is adapted to the financial system in force and to the circumstances of India, and meets all necessary demands.

Control of revenue, paragraphs 55 and 70.

We have noted also that in India the Revenue authorities are not concentrated in Calcutta, as the English Revenue authorities are concentrated in London, and that, in consequence, the Financial Member of Council cannot obtain at headquarters expert assistance on revenue questions in the same degree as the Chancellor of the Exchequer. Financial Members of Council are satisfied with the information which is at their command, and the point is only, therefore, of interest when the relative powers of the Indian Finance Minister and the Chancellor of the Exchequer are being compared. We gather that the Imperial Departments and the Provincial Governments responsible for the collection of revenue are not, as is the case at home, under instructions to furnish to the Financial Member of Council explanatory returns at stated intervals of the progress of the revenue. Such returns are useful, but the Financial Member is the best judge of his own requirements.

The financial year, paragraphs 54 and 69.

The Indian Budget is opened, under present arrangements, before the close of the financial year. The Financial Member is in consequence obliged to present a revised estimate of the income and expenditure. This revised estimate represents about 10 months of actual, and two months of anticipated, results. It is followed, after a comparatively short interval, by a final account of the actual income and expenditure of the year, varying often considerably from the revised estimate. Three statements are, therefore, laid before the public, the Budget estimate, the revised estimate, and the final account. Statements intended for general instruction should be as few and simple as possible, and it would be advisable if possible to dispense with the revised estimate. For that purpose, we think it worthy of consideration whether the financial year should not close on the 31st December. The accounts of actual income and expenditure would,

in that case, be practically complete by the time that the Budget is opened, and there would be no need for the revise. If it be objected that the Budget ought to be sanctioned before the beginning of the financial year, we may reply that by far the larger part of the Budget in England is voted after the financial year has commenced, and we should think it not impossible to make such arrangements as would obviate financial inconvenience from the change. We have not made a recommendation, we have thrown out a suggestion.

Financial Control.

342. Passing to the question of financial control we have directed our attention to five points:— Paragraphs 56 to 57.

i. The power of the Financial Member of Council as it is in theory;
ii. As it is in practice;
iii. The relations of the Financial Member to other departments and to the Executive Council of the Viceroy;
iv. His relations to the Viceroy;
v. His relations to the Secretary of State in Council.

(i.) On the first point, it is shown, we think, that the controlling power of the Financial Member of Council is theoretically complete. Theoretical power of the Financial Member. Paragraphs 57 and 62. His practical powers, paragraphs 58 and 63.

(ii.) There is some difference of opinion as to his practical power. Sir David Barbour and Sir Auckland Colvin think that in recent years that power has somewhat diminished. Lord Cromer, who left India before 1885, does not express an opinion on this point. He considers that the Finance Department cannot command the traditional influence which attaches to the Treasury in England. Much, no doubt in this, as in all similar cases, depends upon the personality of the Minister. There cannot, however, be a doubt that the fall in exchange and increased military demands have added largely in recent years to the expenditure of India; but it must be remembered that the army is far more costly than formerly in other countries besides India. The discussion is somewhat academic, as Sir David Barbour and Sir Auckland Colvin have no practical remedy to suggest, but due attention should be given to the opinion which they have expressed, for there is general agreement as to the difficulties and risks which attend increase of taxation in India.

(iii.) Sir David Barbour and Sir Auckland Colvin wish to see more attention given by the Members of Council to general financial considerations, but we have accepted the evidence of Lord Northbrook, Lord Ripon, Lord Lansdowne, and Lord Cromer, that Members of Council fully recognise their collective responsibility on financial questions. His relation to Members of Council. Paragraphs 59, 64, and 65.

(iv.) The power of the Viceroy is, in our opinion, as in the opinion of witnesses who gave evidence on the point, the predominant factor in Indian administration. If he should not give sufficient weight to financial considerations, a check can only be found in the Secretary of State at home. His relation to the Viceroy. Paragraphs 60 and 66.

(v.) We think that the Secretary of State is the "ally" of the Financial Member of Council. It is, therefore, desirable, that he should learn unreservedly the opinion of the Financial Member. Lord Cromer suggests that the Financial Member (in common with other Members of Council) should be at liberty, if he wishes it, to state his opinion in a confidential memorandum, which should not be published without his consent, but should be forwarded through the Viceroy to the Secretary of State. We think that the suggestion deserves favourable consideration. His relation to the Secretary of State. Paragraphs 61 and 67.

343. In the course of the evidence tendered to us, reference was made to the fact that two out of the seven members who, including the Commander-in-Chief, constitute the Council of the Governor-General, are military men, and it was contended by Sir David Barbour and Sir Auckland Colvin that the military element had in consequence somewhat disproportionate weight in the Council. It was argued on the other side that the Military Member of Council is rather a check on, than an ally of the Commander-in-Chief. We were informed that the late Lord Lytton, when Governor-General, thought that the Commander-in-Chief should not be a Member of Council and that Sir Ashley Eden's Commission on army organisation in India made a recommendation to that effect. Lord Northbrook, Lord Lansdowne, and Lord Cromer were opposed to change. We have noted the point, but expressed no opinion upon it, as we do not consider that it falls within our order of reference. Military representation in the Council. Paragraph 68.

Audit.

Departmental and test audits. Paragraphs 87 and 88.

344. Public accounts in India are subjected to a detailed audit by departmental officers, checked by a test audit, which the Comptroller and Auditor-General applies from headquarters. It appears to us that the departmental audit is well organised and effective. It accompanies, or follows closely, the expenditure to which it applies, and the Comptroller and Auditor-General is able within two months or so from the expiry of each month to lay before the Financial Member of Council an audited account of the expenditure of all India for the expired portion of the financial year up to that date. The promptitude with which the audit is conducted and consolidated into one account in the whole of India is in our opinion highly commendable. The departmental auditors are not independent of the Executive Government in the sense that the officers of the Comptroller and Auditor-General at home are independent. We have not, however, laid stress upon this point, because we think that the object of an independent audit is attained by the test audit which the Comptroller and Auditor-General applies.

We attach a great value to this test audit, if applied upon a sufficient scale. We are informed that, as at present applied, it covers about one-twelfth of a year's expenditure. The Comptroller and Auditor-General is responsible for satisfying himself, by means of it, that the departmental audit is searching and effective, that satisfactory explanations of apparent irregularities only are accepted, and that irregularities not satisfactorily explained are always reported. Full discretion, subject to that understanding, should be left to the Comptroller and Auditor-General as to the extent of the test which he may consider it desirable to apply.

We think that the rule generally in force for the record of the objections and queries which have been raised by auditing officers should be made uniform in all departments. This record should be of service to the officers employed by the Comptroller and Auditor-General on the test audit, and to the Comptroller and Auditor-Generel himself, as showing the manner in which the departmental auditors discharge their duty.

The independence of the Comptroller and Auditor-General. Paragraph 89.

345. Opinion with regard to the terms of appointment and duties of the Comptroller and Auditor-General is divided. Some of us think that the Comptroller and Auditor-General of India should, as far as circumstances permit, hold his office on terms similar to those which Parliament has enacted for the Comptroller and Auditor-General of the United Kingdom; that he should be appointed by the Secretary of State in Council; that his tenure should be similar to that of the Judges of the Indian High Courts, and his rank and salary equivalent to those of a Secretary of Government; that, whereas he now discharges many executive functions, he should be relieved of them, and that they, together with the staff employed upon them, should be transferred to the Finance Department. His own staff would then consist of the officers now employed in the examination and record of the accounts and reports received from the auditors of the different departments in the provinces, and of the officers whom he employs upon his test audit. It appears that the Indian authorities are, on the whole, opposed to the change, and that their opposition is based in the main upon the increase of expenditure which they anticipate would ensue. Those of us who advocate the change think that that increase is over-estimated; that it might be necessary to appoint a new assistant secretary in the Finance Department to undertake the executive duties of the Comptroller and Auditor-General, and that increase of pay should be granted to the Comptroller and Auditor-General to mark the importance of his independent office; but that his audit duties would remain the same, and his present staff should suffice for them. If it is held that the change would be followed by an increase of the test audit, that increase, they consider, is as necessary now as it would be under the change, and increase for that purpose ought not, therefore, to be attributed to the change. Indian authorities appear to be satisfied with the extent of the present test, and, if experience supports that view, there would be no need for an increase in the number of officers.

Others of us hold that the evidence does not justify the proposed change, which would certainly increase expenditure, and, in their opinion, would secure no compensating advantages. They consider that, whereas the circumstances in England and in India are widely different, the arguments in favour of the proposed system are based solely on the fact that it has answered well in England. They point out that similar proposals have been rejected by two Secretaries of State as unnecessary. Further, they are of opinion that serious administrative difficulties are involved, which have

not been considered; and especially that it is very undesirable to give to the people of India the impression that their Government requires to be checked in its control over expenditure by an independent authority set up in India.

We have therefore made no recommendation on this subject.

Appropriation report. Paragraph 90.

346. We have recommended that the appropriation accounts of Indian expenditure, and the appropriation reports of the Comptroller and Auditor-General thereon, should follow the form of the appropriation reports which the Comptroller and Auditor-General of the United Kingdom presents with his certificate and comments to the House of Commons. It is a form approved by the House of Commons, and found convenient by the Committee of Public Accounts in their examination of expenditure under the various votes.

Examination at home of the audited accounts of the Indian Government. Paragraph 91.

347. We have recommended that the appropriation accounts of the Indian Government, with the reports of the Comptroller and Auditor-General upon them, should be forwarded by the Government of India to the Secretary of State, and should be referred by him to a standing committee for examination. We think that two members of this committee should be unconnected with the India Office, and that one of them should be the Comptroller and Auditor-General of the United Kingdom. The report of this committee, together with the appropriation accounts, the report of the Comptroller, and Auditor-General, and the despatch of the Indian Government, which covers them, should be laid before Parliament, and should be accompanied by a minute of the Secretary of State in Council, dealing with questions raised in the report of the home committee.

Audit of the Home Account of the Indian Government. Paragraphs 92, 93, and 94.

348. We think that the Auditor of the Home Accounts of the Indian Government should exercise a free discretion in commenting on the expenditure submitted to his audit. He has no power to disallow expenditure. The Secretary of State is the ultimate authority, and he is free to entertain, or not, the criticisms of the auditor.

We have recommended that the Home Accounts, together with the report of the home auditor upon them, accompanied with a minute of the Secretary of State in Council dealing with the report, should be referred to the committee contemplated in paragraph 91, and that the report of the committee, together with the papers referred to it, should be laid before Parliament.

II. Progress of Expenditure.

Paragraphs 96, 97, 98, and 101.

349. In the year 1861–2 the taxation imposed in consequence of the Mutiny was in full course of collection, and in that year equilibrium between income and expenditure was practically restored; 1861–2 is therefore a convenient point of departure in measuring the progress of Indian finance. Our review has extended over 34 years, from 1861–2 to 1895–6; famine disturbed the finance of the two subsequent years. The review divides itself into two periods. The first period extends over 23 years, from 1861–2 to 1884–5. It includes the Afghan war and years of famine; yet it was on the whole a period of peace, of economy, of financial prosperity, and it was marked by reduction of taxation. The second period extends over 11 years, from 1884–5 to 1895–6. It was a period of falling exchange and of increased military expenditure. It was marked by increase of taxation.

Paragraphs 105, 108, and 109.

We have endeavoured in the first instance to ascertain the normal growth of the tax revenue in the two periods, and for that purpose we excluded the effect of increase or diminution of taxation. The records did not enable us to ascertain exact results of the changes in taxation. Our figures therefore are only approximate, and indicate rather than record the true growth of the tax revenue.

The result is given in the following table:—

—	Normal Growth of Tax Revenue.	Yearly Growth.	Growth of Expenditure.
	Rx.		Rx.
First period - -	8,100,000	1·22	7,050,000
Second period - -	5,800,000	1·27	12,400,000
Whole period - -	13,900,000	1·49	19,450,000

The military expenditure was not reduced to its normal level until 1862–3. The real increase of expenditure during the two periods was therefore greater than the

foregoing figures indicate. This has been shown when we reviewed the military expenditure. The true growth of the tax revenue, according to our estimate, amounted to about 50 per cent.*

It is impossible to ascertain with accuracy the population of British India in 1861-2. It appears to have been between 170,000,000 and 180,000,000, and the increase between that date and 1895-6 may perhaps be taken approximately at about 30 per cent.

We are satisfied, without relying unduly on the exact accuracy of our estimate, that the produce of taxation between 1861-2 and 1895-6, increased in a ratio considerably greater than the growth of population.

Paragraphs 98, 102, 105, 108, and 109.

We have pointed out that the Mutiny entailed a great increase of taxation, which we have estimated at Rx. 5,800,000. During the first period the larger part of that increase was remitted. The income tax was repealed, the salt duty was reduced practically to the rate at which it stood before the Mutiny. At the close of the period there were no Customs duties, except on the export of rice and on the import of salt and alcohol. In the second period we have stated generally that the taxation remitted in the first period was re-imposed. We think, again speaking generally, that at the end of the first period taxation stood at the rates which prevailed before the Mutiny; that at the end of the second period it stood at the rates which prevailed at the close of the Mutiny.

It will be noticed that the growth of expenditure over the whole period outstripped the normal growth of the tax revenue by Rx. 5,550,000, but the increased cost of exchange included in the expenditure amounted to no less a sum than Rx. 13,800,000. It may be said, therefore, that, but for the heavy charge entailed upon India by the fall in exchange, the normal growth of the tax revenue was not only sufficient to meet the largely increased demands of military and other services, but would have provided a large balance available for reduction of taxation.

Debt of India.

Paragraphs 117 and 121.

350. We have shown that the debt of India amounted in 1842 to Rx. 33,500,000; that it amounted at the outbreak of the Mutiny to Rx. 51,300,000,† and that at the close of the Mutiny it had risen, after making adjustments, to Rx. 96,000,000, an increase of between 180 and 190 per cent. We have further shown that in the period under review, that is since India came under the direct rule of your Majesty, this old or unproductive debt has been reduced from Rx. 96,000,000 to Rx. 72,700,000, a diminution of nearly 25 per cent., although famine relief during that period cost Rx. 17,300,000, and wars Rx. 22,800,000.

Paragraph 122.

We have calculated that the gross annual charge of the old or unproductive debt has in the interval between 1861-2 and 1896-7 been reduced by about 50 per cent., exclusive of exchange, and by about 16 per cent. when the cost of exchange is added.‡ But the Government of India earns interest on securities which it holds and on part of its cash balances. These earnings may fairly be set against the charge of the debt in calculating the net charge of that debt to the taxpayer. In that case the charge of the debt to the taxpayer, including the cost of exchange, has been reduced in the interval between 1861-2 and 1896-7 by 32 per cent.

Paragraphs 65 and 129.

Sir David Barbour pleaded before us for steadiness in Indian finance, since in India periods of depression follow periods of prosperity. We understood him to mean that, in time of prosperity, surplus revenue should not be given away in full, but that a safe reserve should be maintained. We concur with Sir David, but we have called attention to the fact that a fair reserve had been maintained, for it has been possible by means of it, and in spite of war and famine expenditure, to pay off in 34 years 25 per cent. of the old or unproductive debt. Further, since 1881, provision against famine has been made at an average annual outlay of Rx. 1,100,000. This provision, except in actual times of famine, is a reserve under another name. It is not, however, a permanent reserve. We have pointed out that a large reduction has been effected

Paragraph 64.

* The net tax revenue of India in 1861-2 was:—

	Rx. 33,457,000
In 1895-6	53,994,000
	20,537,000

an increase of 61 per cent., independent of the adjustment necessary to correct the effect of changes in taxation.

† This sum included a certain amount of debt incurred for public works.

‡ Exchange at 1*s.* 4*d.* for the rupee would effect a saving of 10 per cent. upon the cost of exchange.

in the charge of the debt, and we suggest that the provision against famine should be converted into a permanent reserve, somewhat resembling the new sinking fund at home, and that it might be augmented by some part of the reduction which has been effected in the charge of the debt, so far as is consistent with sound finance. We may mention that the debt incurred in consequence of the Mutiny amounted to more than Rx. 45,000,000. In 35 years from the 30th April 1862, only Rx. 23,000,000 of this debt had been paid. At the rate which has hitherto prevailed, it would require nearly 70 years to pay off the Mutiny debt.

We have stated it as accepted policy that the Indian Government does not borrow in England for works or current expenditure in India, except under abnormal circumstances. It is, however, an important question how far money in India is derived from Indian sources. Mr. Jacob informed us that out of Rx. 103,000,000 borrowed in India Rx. 25,000,000 was actually held at home, that Rx. 48,000,000 was held by Europeans in India, and that only Rx. 30,000,000 was held by Natives of India. If money borrowed in India is to any extent found in England, the advantages of borrowing in India are proportionately neutralised. The Government of India estimate that the market of India will not provide more than Rx. 5,000,000 in a year. Paragraph 116.

Collection of Revenue.

351. The cost of collecting the revenue, as shown in the accounts, is very heavy, but we have stated (1) that the real charge of collection, tested in its relation to the revenue collected, is not so great as the figures given in the accounts would indicate, (2) that the percentage is greatest in the case of Land Revenue, but that considerable deduction must be made from that charge, as shown in the accounts, in order to arrive approximately at a correct computation of the charge, and (3) that the cost of collecting taxes, properly so-called in India, is not much greater than in the United Kingdom. We have also come to the conclusion that the increase in the charge of collecting taxes during the period in which reliance can be placed upon the figures, viz., between 1875–6 and 1895–6, is not so large as might have been expected. Collection of revenue. Paragraphs 130 to 138. Paragraph 138.

The Cost of Civil Administration.

352. We examined next the charges of civil administration in India—that is the internal government of the country. Changes in the method of stating accounts did not enable us to carry back our analysis in detail of the charges beyond 1875–6. Paragraphs 139 to 144.

We have noted that in the interval of 20 years between 1875–6 and 1895–6 the cost of "general administration," that is of the administering departments, including the office of the Secretary of State, had risen considerably. The charge of the India Office practically showed no increase, nor did there appear to have been an increase in rates of pay in India, apart from the compensation allowance granted in consequence of the fall in exchange. We have come to the conclusion that the cost of the establishments which constitute the "general administration" in 1895 is not excessive as compared with 1875, and that their growth also has not been excessive as compared with expenditure in other countries.

We have pointed out that the budget of Law and Justice is practically self-supporting; that is, the fees and other receipts levied in the courts, whether in cash or by stamps, cover practically the whole cost of the courts, including non-effective and incidental expenses. Law and justice, therefore, impose no charge upon the general taxpayer. Paragraph 145.

The whole net expenditure of the State upon Education from public funds, State or municipal, amounted in 1895 to about Rx. 1,500,000. It cannot be said that that sum is a lavish or excessive grant for the education of 230,000,000 people. It is indeed probable that the Government would, apart from financial exigencies, be glad to devote considerably larger sums to this important object. Paragraph 150.

We have suggested in the Ecclesiastical chapter that all chaplains employed on military service should be paid from army grants. Paragraph 151.

Reviewing the progress of the General Administration as a whole, eliminating the cost of Upper Burma (a new acquisition), and transferring the chapters of Marine and Political service to the head of Defence and Foreign Affairs, we have found that the true net cost of the establishments which conduct the internal administration of India increased by about Rx. 1,550,000, or 25 per cent., the population increasing during that period at the rate of rather more than 20 per cent. We do not think that the Government of India can be fairly charged with extravagance upon this important division of their duties. Paragraph 156.

We have suggested that a note should be added in the finance accounts to the statement of expenditure on stationery and printing, showing the value of stores supplied during the year to each department. Paragraph 163.

Paragraphs 165 to 167. Passing to non-effective civil expenditure, we have expressed our opinion that the Indian scale of furlough, or leave pay, is not extravagant when compared with allowances of the same kind in the Imperial Diplomatic and Consular service and in Ceylon.

Paragraphs 168 to 176. We dealt next with the charge of civil pensions, excluding in the first instance the cost of exchange.

We have shown from an analysis made for us by the late Mr. Jacob that there was an increase upon the civil pension account of Rx. 730,000 between 1875 and 1893, or 64 per cent. in 17 years.

We divided the charge into two heads—(1) pensions to Native civil officers, and pensions to European officers other than covenanted civil servants, and (2) pensions to covenanted civil servants, their families, and to medical officers.

We have shown that out of the total increase of Rx. 730,000, Rx. 446,000 arose upon the pensions of Native civil officers, and Rx. 61,000 upon the pensions of European officers other than covenanted civil servants; but we have pointed out the very large increase of Rx. 112,000 which has occurred in the pensions of the "Class of uncovenanted officer," an increase partly compensated by diminution under other heads.

There is an increase of Rx. 223,000 upon the chapter of pensions to covenanted civil servants and their families, and to medical officers. These pensions were formerly charged on funds maintained by the officers themselves, with some assistance from the Government. The Government took over these funds and paid them into their cash balances, applying them to the general purposes of the State. There is, therefore, reason for the plea, that, if credit were given for the interest of the funds thus taken over by the Government, and also for deductions which are made from the salaries of the covenanted civil servants as a contribution towards their pensions, the true increase of the charge between 1875 and 1893 would not be large.

Paragraphs 177 and 181. We have suggested that the future maximum cost and the normal cost of the pensions granted to uncovenanted civil servants and to Native civil officers should be calculated under actuarial advice, and that the normal proportion under existing regulations of non-effective to effective pay should be estimated, that it should be ascertained, also upon actuarial advice, whether the pensions of the covenanted civil servants have attained their normal rate, and what is the present, and what will be the future, proportion between effective and non-effective pay, and also at what date the pensions to families of civil servants will attain their maximum and when the Government contribution to these pensions will be reduced to Rx. 35,000 a year. We laid special stress on the necessity of watching the proportion which the cost of non-effective bears to effective service throughout the service, and we have advised that an account should be drawn up yearly showing on one side the actual charge of pensions paid, to covenanted civil servants, their families and to medical officers, and on the other the income which would have been received if the several funds formerly applicable to these pensions, but taken over by the Government, had been maintained, and also the amount of the contribution made by covenanted civil servants towards their pensions.

Paragraphs 178 and 179. Lastly, we have pointed out the heaviness of the burthen cast on the Indian taxpayer by the fall of exchange in respect of Indian civil pensions payable in England. While, however, we have considered it our duty to call attention to these points, and urged that the Government of India should ascertain and understand the financial effect of the pension regulations, we have expressed no opinion adverse to the present scale, recognising that laborious and responsible service in a tropical climate should entitle a man to a substantial pension in reasonable time. No revision of the pension regulations would, in fact, be justifiable except after a full review of the financial working of the general regulations and proof that the burthen cast by them on the taxpayer exceeds the necessity of the case.

Commercial Services.

353. We came next to branches of business undertaken by the State, and earning revenue, viz., the Post Office, the Telegraphs, Irrigation Works, and Railways.

The Post Office. Paragraphs 183 to 185. It has not been the policy to regard the Post Office as a source of revenue. The Post Office, nevertheless, earned a surplus in 1895–6 of Rx. 70,000 and in 1897–8 of Rx. 150,000. If non-effective service and incidental charges, not now included in Post Office expenditure, were included, there would still, we believe, remain a small surplus. The department is charged with the growing business of the Post Office Savings Banks. The cost of managing the banks is included in Post Office expenditure, but the department is not credited with any part of the profit made on the investment of the moneys deposited in the banks. We think that the Savings Bank branch should be debited with all its expenses and credited with all its earnings.

The Telegraph Account has shown a surplus since 1888. It amounts now to more than Rx. 200,000, a sum which would leave a considerable margin, after adding the non-effective charge of the service to the expenditure. This result is especially satisfactory, because considerable outlay on capital account is charged yearly against revenue. We have noted that the earnings of Railway Telegraphs for the conveyance of public telegrams are credited to railway not telegraph revenue. The Telegraph Paragraph 186.

We have stated the excess of receipts from Irrigation Works over working expenses and interest on loans at Rx. 700,000, to which should be added a further sum representing the improvement of the land revenue resulting from minor works of irrigation. On the other hand, the cost of minor works, averaging yearly Rx. 850,000, is charged to revenue. It may, therefore, be fairly said that in ordinary years India enjoys the benefit of the great system of irrigation works which have been carried out at a capital cost up to 31st March 1896 of Rx. 30,000,000, in addition to large sums laid out yearly on minor works of irrigation, and that this immense outlay practically imposes no burthen on the present taxpayer. Irrigation works. Paragraphs 187 to 193.

We have stated our reasons for arriving at the conclusion that the Indian taxpayer of the present obtains, even on the strict, and somewhat unfavourable principle adopted in Sir H. Fowler's annual return, the benefit of a vast railway system at a comparatively light cost. The fall in exchange has subjected the financial result of the Government railway policy to very severe trial. If the charge of military and famine protection lines and of lines under construction were eliminated, there would be no charge on the taxpayer, in other words, the true commercial lines pay their way. Further there is fair prospect with improved exchange that the charge on the taxpayer, even on the account as now presented, will entirely disappear. We think that the loss on purely military lines should be transferred to the head of military expenditure. Lastly, we think it a reasonable subject for consideration whether, if a fair and constant surplus should be hereafter realised, larger sums might not with advantage be devoted to the improvement of the lines. Railways. Paragraphs 199, 200.

Expenditure on Defence and Foreign Affairs.

354. The last head of expenditure to which we have directed our attention relates to Defence and Foreign Affairs. It comprises army expenditure, expenditure on military works, the charge of military railways, naval expenditure, and expenditure on Political, that is Foreign Office, Service. Paragraphs 201 to 230

We have calculated the total cost of these services, including exchange—

	Rx.
in 1856–7 (before the Mutiny) - - -	at 15,000,000
in 1862–3 (normal expenditure after the Mutiny) -	„ 15,860,000
in 1884–5 (end of our first period) - -	„ 18,750,000
in 1896–7 (end of our second period) - -	„ 27,630,000

The increase of 1884–5 over 1862–3 was 18 per cent.

The increase of 1896–7 over 1884–5 was 47 per cent.

The increase in the first period was comparatively small, although the fall in exchange at the close of the period was great. Indeed, if exchange be excluded, the increase would probably not have much exceeded $7\frac{1}{2}$ per cent. The progress of military and civil expenditure alike prove the economical administration of this period.

The increase in the second period was large. But here again the increase was largely due to the fall in exchange. If the effect of that fall be excluded, the increase in the second period would probably not exceed 29 per cent. The chief causes of it are to be found in the addition to the British force in India, and in the increase of the Native army, in the annexation of Upper Burma, in the increased allowances to the Native army to meet rises in the price of food, in the increase of recruiting and depôt charges at home, in the grant of deferred pay to the soldiers, and in the increase of the non-effective charges.

A growing preference for buying stores for the army in India instead of at home characterises the whole period. We have noted that, although there has been an increased demand for transport, reductions in freight have led not to an increase, but to an actual decrease, under this head.

The increase in the non-effective charge is formidable. The abolition of purchase has added largely to the charge for pensions to officers of the British army in respect of service in India. On the other hand, the conditions of short service are reducing

the pension charge of soldiers of the British Army serving in India. The charge for have pensions to officers of the Native Indian Army has increased very greatly, and we noted also a large increase in the pensions of ministers of religion attached to the Army.

Paragraph 220. We have recommended that an actuarial report should be obtained, showing the normal non-effective charge which the present regulations will entail upon the taxpayer under the different heads of non-effective charge, and also the proportion which the charge of non-effective service will bear to effective.

We have called attention further to the heavy charge upon the taxpayer in respect of military pensions formerly payable from military funds. We have stated that these military funds were taken over by the Government in 1866, and that the capital was applied in the reduction for a time of the annual charge. The capital has long been exhausted, and the whole dead weight of the pensions now falls upon the taxpayer. Mr. Jacob informed us that the charge is still increasing, but that ere long it will begin to diminish and will eventually die out. We advise that an actuarial report upon the future of this charge should be obtained.

III. Apportionment of Charge.

Paragraph 230. 355. The third branch of our inquiry refers to the apportionment of charge between the United Kingdom and India for services in which both may be said to have an interest.

These services may be classified as follows:—

1. Civil charges—
   - (*a.*) The India Office.
   - (*b.*) Aden.
   - (*c.*) The Persian Mission.
   - (*d.*) The China diplomatic and consular establishments.
   - (*e.*) The Zanzibar and Mauritius Telegraph subsidy.
   - (*f.*) The Euphrates, Tigris, and Karun river subsidies.
   - (*g.*) The Eastern Mail (P. & O.) contract.
2. Army charges, including the cost of expeditions beyond the Indian frontier.
3. Naval charges.

Civil Charges.

Paragraph 234. 356. *The India Office.*—We have recommended that the United Kingdom should contribute 50,000*l.*, either by a charge on the Consolidated Fund or by an annual vote, towards the yearly charge of the office of the Secretary of State.

Paragraph 240. *Aden.*—We have recommended that the United Kingdom should contribute one-half of the military charges of the fortress of Aden, the Home Government being consulted before changes are made increasing the amount of these charges.

Paragraph 242. *The Persian Mission.*—We have recommended that the charges of the Legation and Consulates in Persia should be evenly divided between the United Kingdom and India; that no addition should be made to those charges without the assent of the two Governments; and that the charge in each case should be complete, covering outfits, pensions, and contingencies.

Paragraph 243. *China Diplomatic and Consular Establishments.*—We have recommended that the decision of the Foreign Office Conference in 1891, fixing the contribution of India to this service at 12,500*l.*, should be upheld; that the amount of the contribution should be fixed for periods of (say) 10 years; that if, when the time of revision arrives, there should be a difference of opinion between the two Governments as to the amount, the point should be submitted for the arbitration suggested in paragraph 317; and that the present arrangement should remain in force for a period of five or six years.

Paragraph 244. *The Zanzibar and Mauritius Telegraph Subsidy.*—We have advised no change in the present arrangement under which India pays 10,000*l.* a year, half the subsidy remaining after deducting the contribution of Mauritius.

Paragraph 246. *The Euphrates, Tigris, and Karun River Subsidies.*—We have recommended that India should maintain the Euphrates-Tigris subsidy, and that the United Kingdom should maintain the Karun subsidy—an arrangement under which each country would approximately bear half the cost of these services.

Paragraph 247. *Peninsular and Oriental Mail Contract.*—The amount of India's contribution to this service has been lately decided under arbitration by the Earl of Morley. We have not, therefore, considered that an opinion from us upon it is required.

Army Service.

357. India pays the home charges of the British Army stationed in her territories, and we had first to consider the principle upon which those charges are calculated. Paragraphs 252–270.

They have been met, in the first place, by a capitation rate of 7*l.* 10*s.* for each man borne on the establishment of the British force in India, and, secondly, by the charge for "deferred pay."* The somewhat rough principle of adjustment by a capitation rate was adopted in 1891, after many years of dispute between the two Governments, at the recommendation of a Committee over which Lord Northbrook presided. The India Office think that the capitation rate is too high, the War Office that it is too low. In order to form an opinion upon the question, we examined the charges represented by the capitation rate. They are—1, the cost of raising and training recruits in England described under the general term of depôt charges; and, 2, various minor services.

The Indian Government think the charge for each recruit excessive as compared with the cost of the recruits raised by the East India Company for its local force. We have calculated that the Company obtained an untrained recruit at a cost of about 30*l.*, while the War Office supplied a trained recruit at a cost to India of about 35*l.* Considering that the War Office charge includes a period of training and that a recruit now is a more expensive product than he was half a century ago, we are not surprised at the contention of the War Office that 35*l.* does not cover the cost of a recruit to the War Office, and we do not, therefore, think the charge excessive.

The Indian Government urge further, that the system of short service, requiring, as it does, a greatly increased number of recruits yearly, imposes a heavy charge on Indian revenues without corresponding advantages. It is true that a much larger number of recruits is required under short service than under long service. But the system of short service carries with it a reduction in the charge for pension, and, with actuarial aid, we made a calculation setting the increase of charge, on the one hand, against the saving to be realised on the other, and we have found that, after debiting India with the charge of deferred pay, a saving to India will eventually result from short service. The operation of a change of system is, however, gradual, and that saving has not yet been attained.

We have come to the conclusion that it is not necessary to revise the capitation rate. We think that it might continue in force for a further period of five or six years, but that at the end of that time a general revision should take place.

The question was argued before us whether short service gives India an efficient European force. We have reviewed the evidence on this point in paragraphs 271–6 of our Report. We may say, shortly, that there has appeared to us to be a good reason for the contention that short service has become a necessity of our military system. The Government of India doubt the value of the Reserve to India, but, in our opinion, the Reserve must be regarded as a Reserve both for the United Kingdom and India. On this point we have noticed that the Reserve costs the Home Government 500,000*l.* a year, to which India is not asked to contribute. Care, however, should be taken that, if drafts from the Reserve are sent to India, the capitation to be paid upon them should be so adjusted as to prevent a double payment by India for the enlistment and training of the same man, if he should have served previously in India. Paragraphs 271–276.

Eight services other than those of recruiting, amounting in 1889 to 130,000*l.* a year, are covered by the capitation rate. One of these, that of agency, costing 3,000*l.* a year, has been abolished since 1889. Four of the services are small in amount, and we have not thought that the objections to them raised by the Government of India are tenable. The three remaining services, viz., educational establishments, expenses of soldiers awaiting discharge, and hospital charges, amounted in 1889 to 116,000*l.* Paragraphs 287–289.

1. *Educational Charges.*—The War Office measures these charges by the number of officers attached to this force employed by Great Britain and India respectively. So far the principle of a proportional charge is fair, but, if the Government of India can show that the number of officers included in the Indian proportion is excessive, the proportion should be readjusted. Paragraph 283.

2. *Expenses of Soldiers awaiting Discharge.*—We have agreed with the Government of India that soldiers returning from India should be passed into the Reserve without delay. It appeared to us that a soldier passing into the Reserve is practically available for the Reserve upon his arrival, and that India should be relieved of charge for him Paragraph 284.

* "Deferred pay" has recently been merged into the ordinary pay of the soldier.

from that date, if he is not an invalid. We do not think that the Government of India prove their point that the charge for invalids after arrival in England is excessive.

Paragraph 285. 3. *Hospital Charges.*—We have drawn a distinction between soldiers invalided home and soldiers falling sick on the passage home. India tends soldiers sent out to her who fall sick on the passage, and the Home Government should reciprocally tend soldiers returning home who fall sick at sea.

We have not thought it necessary to revise immediately the capitation rate on account of these considerations, which do not involve large amounts. According to our view a revision should take place at the end of five or six years, and advantage might be taken of the interval to examine these points.

The Home Charge for Non-Effective Service.

Paragraphs 290–294. 358. This head comprises payments to the War Office for pensions of officers and men of your Majesty's Army in respect of service in India.

Paragraphs 291–3. *Pensions of Officers.*—The charge includes India's share of the increased pensions granted to officers of the British Army in consequence of the abolition of purchase. The Government of India considers that the revenues of India should not be subjected to charge in consequence of that measure. We have not considered that this contention can be successfully maintained. No army can be maintained in efficiency if means are not provided for retiring officers who are incapacitated for service. The argument of the Government of India might have had force if the Imperial Government had asked India to contribute to the compensation paid to "purchase" officers on the abolition of purchase; but they have not done so, and India is only asked to take her share of the non-effective charge indispensable to an efficient army, a charge which she has adopted in the case of her old European force, and which she adopts in the case of her Native army.

Paragraph 294. *Pensions of non-commissioned Officers and Soldiers.*—We have pointed out that under the conditions of short service the pensions to soldiers of the British Army are a diminishing charge.

Chelsea and Kilmainham Hospitals.

Paragraphs 295–6. 359. The War Office referred to us a question as to "what proportion (if any) of the "cost to the public of Chelsea and Kilmainham Hospitals should be paid by India." The Audit Office at home has drawn attention to the fact that India does not contribute her fair share towards the expenses of the hospitals; and, in consequence of this action of the Audit Office, the point has been referred to us. On the one hand an additional sum of about 5,000*l.* a year might be claimed from India in respect of the Indian service of soldiers in those hospitals; on the other hand the War Office holds a balance of unclaimed prize money arising from Indian wars, amounting to above 44,000*l.* We have recommended that matters shall be left as they are, that the War Office should retain the prize money, and should not make at present any further claim on India for a contribution to the hospitals.

Payment for Indian Troops employed out of India.

Paragraphs 297–308. 360. The Imperial Government has frequently obtained the temporary assistance of troops from India upon military expeditions, and there has been much discussion both between the two Governments and in Parliament as to the principles upon which that assistance should be given. It is clearly for the public interest that the United Kingdom and India should arrive at a distinct understanding upon the subject.

The Secretary of State for India in 1896 expressed his opinion that a part of the burthen might be borne by the Government supplying the troops, if that Government has a *distinct and special interest* in the matter at stake. We have concurred generally in the proposition, but it does not say who is to define the *distinct and special interest.* The difficulty is to discover the means by which the interests of the two Governments can be most accurately and authoritatively ascertained. The final authority for determining the relative interests of the United Kingdom and of India in a service must reside in the Home Government and in the Parliament which supports it with its confidence. Justice would probably be secured if principles could be formulated which should guide, although they might not govern, the

formation of the decision. Both Lord Salisbury and Mr. Balfour have expressed a desire that such principles should be ascertained, and have suggested the formation of a tribunal of arbitration. We agree that such a tribunal should be constituted, but it can only be one of mediation. Principles, however, might be laid down which would have a most powerful influence when future decisions are under consideration, whilst a tribunal would certainly facilitate their application to future circumstances. Lord Northbrook gave us evidence as to this subject, and he found in the geographical scene of the operation of the troops a clue to the solution of the problem of contribution. We agree with his Lordship that the principle of geographical distribution might be accepted as affording fair *primâ facie* ground for the allocation of such a distribution, and might be laid down in an official paper to which the Governments of the United Kingdom and India should be parties. We have submitted for consideration the heads of a Treasury Minute which might be drawn with that object.

The Minute approved on the one hand by your Majesty's Government, and on the other hand by the Secretary of State in Council after consultation with the Government of India, might provide:—

1. That India has not a direct and substantial interest in the employment of forces in Europe; in Africa, west of the Cape of Good Hope; in Asia, east of China.
2. That India has a direct and substantial interest in keeping open the Suez Canal, and in the maintenance of order and established government in Egypt so far as the security of the Suez Canal is affected thereby. This interest might extend to the coasts of the Red Sea only so far as to maintain the inviolability of that shore, but not to the Soudan, or further extensions of Egypt up the valley of the Nile or its affluents.
3. That India may have a modified interest in questions affecting the East Coast of Africa as far as Zanzibar, and the African islands in the Indian Ocean, except Madagascar.
4. That India has no direct or substantial interest in the African coast south of Zanzibar.
5. That India has a direct and substantial interest in questions affecting Persia, and the coasts and islands of Arabia and of the Persian Gulf.
6. That India has a direct and substantial interest in questions affecting Afghanistan and that part of Central Asia which is adjacent to the borders of India or Afghanistan.
7. That India has sole interest in punitive expeditions on her borders.
8. That India has a direct and substantial interest in questions affecting Siam.
9. That India has a modified interest in questions affecting China and the Malay peninsula.
10. That India has no direct or substantial interest in Japan or countries or islands east and south of China.
11. That special cases may arise giving to India a direct and substantial interest in questions connected with Europe or other territories in which the minute declares her to have, as a general rule, no interest.
12. That in every case where the two Governments are not agreed, no contribution should be made by India until the sanction of Parliament has been obtained.

We think that in the event of the Governments of the United Kingdom and India not agreeing upon the question of "distinct and special" interest, a committee might be constituted of two members appointed by Your Majesty's Government, and two members appointed by the Secretary of State in Council, and of a chairman to be selected by the four members. This committee should make a report to the Government which should be presented to Parliament; and the Government, within a prescribed period, should present its final determination for the satisfaction of both Houses. The Treasury Minute would aid the committee and the two Governments in arriving at a decision.

3. *Naval Charges.*

361. We considered next the contribution made by the Government of India towards the charge of vessels of the Royal Navy stationed in Indian waters.

We received evidence on this question from representatives of the Admiralty and from the Director of the Indian Marine on behalf of the Government of India. The latter appeared to us to argue against the principle of any contribution by India for naval protection. If so, it appears to us that he differs from and goes beyond the views of the Government of India itself, as expressed in 1862, and beyond the views of the Secretary of State as expressed in 1895, and in a Memorandum, which has been laid before us.

Paragraphs 309–15.

We confined ourselves to the question put by the Secretary of State. He asked whether under all the circumstances it is right that the Imperial Government should exact from India within 17,000*l.* of the full charge, effective and non-effective, of the squadron of the Royal Navy detached for the service of India.

India maintains a local marine for local purposes. She is responsible for the defence of her own coasts, and she contributes an annual sum of 100,000*l.* towards her general naval defence, which is undertaken by the Admiralty. The question of the Secretary of State refers to the last of the arrangements.

India formerly maintained a navy of her own, and it is estimated that her general naval defence costs her annually something over 300,000*l.* The Indian Navy was abolished after the Mutiny, the charge of general naval defence being transferred to the Admiralty, and for six years no claim was made upon her by the Home Government, but since 1869 she has paid a contribution to the Admiralty. This contribution was fixed a few years ago, upon principles laid down by Lord Salisbury and Lord Rosebery, at 117,000*l.* a year for a period ending in 1901, but this contribution was reduced with the consent of the Admiralty and Treasury to the round annual sum of 100,000*l.*

When, therefore, we were asked whether India ought to pay for her general naval defence a contribution in itself moderate, which is considerably less than the estimated cost of the squadron detached for her defence, we could only answer that the contribution asked of her is not excessive. That squadron is not a full measure of the naval aid which the Imperial Government renders to India. The British Navy, not that small squadron, constitutes the reserve upon which, in case of naval emergency, India would draw, and to that reserve India does not contribute.

It is argued that the great self-governing colonies are treated more liberally than India. It is true that in 1862, when the Indian Navy was abolished, these colonies made no contribution towards the Imperial Navy, but they had then sparse populations, and were only at the outset of their career. But Imperial Naval defence is far more expensive now than it was then, and the Australian colonies and the Cape do now contribute to their naval defence on principles not dissimilar from those which apply to India. Moreover, the tendency of public opinion is in the direction of the acknowledgment of this obligation by members of the Empire. We do not think that a reduction of the contribution can fairly be based upon this plea.

The Secretary of State, however, based his plea for reduction not only on general but on specific considerations. He contended that Your Majesty's vessels on the Indian station are not at the disposal of the Indian Government, as the army is, and that the vessels not employed in the Persian Gulf must be occasionally employed on other than Indian service. The Foreign Office Conference on the subject of the Naval Contribution, over which Lord Salisbury presided, laid it down that it would be the duty of the Naval Commander to comply with the wishes of the Indian Government, and that vessels of the Indian squadron are not to be employed beyond certain limits to be agreed upon, except with the consent of the Indian Government. We understand that these conditions are observed, and they appear to us to secure to the Government of India sufficient control. The Secretary of State further objected that the number and class of vessels is not that which the Government of India think necessary. The Government of India object to large vessels being reckoned among the ships the detailed cost of which is to be paid by the Indian Government. We consider that India is bound to satisfy Lord Rosebery's award, but that it does not necessarily follow that she should pay her contribution in the shape of the detailed cost of particular ships. Friction might be removed if ships of the size and number which the Government of India require for coast police were supplied at the actual cost, and the balance of the 100,000*l.* were paid over in the lump, as the contribution of India to the general cost of the Navy. We think that there is nothing in Lord Rosebery's award to deter the Government of India from representing their case from this point of view.

Settlement of Administrative Charges.

Paragraphs 316–7.

362. We have suggested (paragraph 308) the constitution of a tribunal of arbitration when a difference of opinion arises between the Government of the United Kingdom and the Government of India as to the "distinct and special interest" of the two Governments respectively, in expeditions; but differences of opinion arise on other questions of an administrative character. The Home Government undertakes various services for the Indian Government, and the claims which the Home Government puts forward in respect of those services, lead frequently to protracted official correspondence with no satisfactory result. Lord Northbrook spoke of these controversies as amounting almost to a scandal, and he suggested as a remedy the choice of an arbitrator having no special knowledge of the subject, and unconnected with either of the Governments;

and that the cases of the two Departments concerned might be placed before him rather in the way of legal arbitration. He named the late Mr. Justice Hannen as a type of the arbitrator he would select.

We agree with Lord Northbrook, and we think that both Governments might trust, on these departmental questions, the perfect impartiality of a man of judicial position. It is, however, essential that the award of the arbitrator should be loyally accepted by both sides as closing the question. The arbitrator would of course deal only with departmental differences of opinion. Questions of policy would not be referred to him.

Liberal Treatment.

363. The last and most difficult section of our report deals with the appeal of the India Office and of the Indian Government for liberal treatment. This appeal is put forward most effectively in a Memorandum laid before us by the Financial Secretary of the India Office. Paragraphs 318–39. Appendix 48, p. 362.

The Memorandum refers, in the first place, to the Committee of the House of Commons, which reported in 1874 on Indian Expenditure. The Committee recommended:—

1. That strict impartiality in financial arrangements must be secured for India.
2. That that impartiality will be most effectually secured by watchfulness on the part of the House of Commons.
3. That English Estimates ought not to be relieved at the expense of Indian revenues.
4. That India, as a component part of the Empire, must be prepared to share in the cost of a system, the expense of which may be enhanced for Imperial purposes.
5. That the payments by India to England should take the form of fixed rates carefully computed and remaining in force for a period of years; that care should always be taken to consult the India Office upon proposed changes which may affect India.

We concur in the views of the Committee, and have been mainly guided by them in the opinions which we have expressed.

With reference to their last point we consider that there ought to be no instance of a charge imposed upon the Indian Government without previous consultation with the Secretary of State. Communication with the Secretary of State is consultation with the Indian Government. We further consider that no alterations involving expenditure in India should take effect in India till the beginning of the financial year following their adoption.

The reasons given in the Memorandum of the India Office for asking liberal treatment may be summarised as follows:—

1. The cost of recruiting is excessive, and short service has increased the cost of transport and entailed a charge for deferred pay.
2. India is used more as a reserve for England than England is for India.
3. India frequently pays the charges of its own troops used for English purposes.
4. India is a good training ground for the English Army.
5. India provides a large army to maintain British supremacy in the East.
6. The abolition of purchase has increased the pensions of officers.
7. A different organisation of force is needed in the United Kingdom and India; there can, therefore, be no true partnership between them.
8. The pensions to European officers and soldiers out of Indian revenues are spent in the United Kingdom.

We have given in paragraph 327 our reason for not admitting reason 1. We have in paragraph 328 made recommendations which would, in our opinion, meet reasons 2 and 3. Reason 4 is a question for military experts rather than for civilians. It is one apparently upon which military authorities are not agreed, and, so far as it is of weight, it may be argued equally well that Imperial wars are a good training ground for that portion of the British Army which is stationed in India. In paragraph 330 we have given our reasons for differing from reason 6. It appears to us on reason 8 that the Indian Government employs a soldier for a certain remuneration, present and deferred. When the soldier has performed his stipulated service, he is entitled to the pension which formed part of his contract, and the Government of India has no right to claim that it should be spent in India.

On reasons 5 and 7, it appears to us that for the maintenance of peace within India and for the defence of its frontiers, a European force must always be kept there. We think justice is done to both if each Government is conceived as fighting out the bargain on strict commercial principles; and that the United Kingdom and India should therefore be strictly separated in calculating the payment which should be made for that force. In that case India would determine the quantity and character of the troops required, and the United Kingdom would state the terms upon Paragraphs 332-9.

which it would supply them. But it may be argued that the political connexion of India with the United Kingdom makes her more liable to attack from without than she would be if she were independent. We doubt if this is the case. We do not think that India would enjoy increased immunity from attack if independent; and, if any outside power took our place, we know no reason why such a power should be regarded with less jealousy than ourselves. If India had to bargain for herself, she might be contented with troops less highly organised. We, however, are persuaded that it is on the whole to the interest of India to receive troops up to the highest standard of European efficiency. It is urged by India that the exigencies of recruiting at home put India to heavy expense in bringing out yearly a larger number of recruits than would be necessary if soldiers remained longer with the colours than at home. We have shown, in our examination of the financial results of short service, that this contention is true, and, although we have shown that on the whole short service will eventually, taking all its conditions and consequences together, result in a saving, not an increase, of expense, yet that result is not attained as yet, and pending the revision of the capitation rate, we think that the United Kingdom might undertake half the cost of the transport of troops to and from India.

When the time for revising the present arrangement arrives, the exceptional position of India as to military charges should be borne in mind. If, on the one hand, she imposes a certain strain on the Imperial resources in the supply of services for which she properly pays, on the other hand, she renders services to the Imperial Government which should not be disregarded.

364. The grants, which we propose should be made by the Imperial Government are approximately as follows:—

	£
In aid of the charge for the India Office	50,000
Half the military charges for Aden	108,000
Increased contribution to the charge of the Persian Mission	5,000
Half the cost of the transport of troops to and from India	130,000
	£ 293,000

365. We thank Sir Henry Waterfield and the officers of the India Office for the invaluable assistance which they have given us throughout our inquiry. We wish especially to place on record our obligation to the late Mr. Jacob, the Comptroller and Auditor-General of India. His vast knowledge, experience, and ability were of the greatest service to us, and we cannot but express our sense of the great loss which the Government of India has sustained in his untimely death.

366. Lastly, it is a pleasure to us to return our thanks to Mr. Campbell for the ability and untiring zeal with which he has discharged his duties as Secretary to the Commission.

WELBY (*see* Reservation 1).
LEONARD COURTNEY.
W. L. JACKSON.
E. W. HAMILTON.
RALPH H. KNOX (*see* Reservations 1 and 5).
JAMES B. PEILE (*see* Reservation 2).
ANDREW R. SCOBLE (*see* Reservation 3).
G. L. RYDER (*see* Reservation 1).
T. R. BUCHANAN (*see* Reservation 4).
R. G. C. MOWBRAY (*see* Reservation 3).

COLIN G. CAMPBELL, Secretary.
6th April 1900.

RESERVATIONS.

1. *By Lord Welby, Sir Ralph Knox, and Mr. Ryder.*

We regret greatly that the Commission decline to recommend the creation in India of a Comptroller and Auditor-General detached from, and independent of, the Executive Government, whose financial acts he audits.

The Indian Comptroller and Auditor-General is at the present time an officer of the Indian Treasury, entrusted with important executive duties, which occupy much of his time. He gives the remainder of his time to his functions as Comptroller and Auditor-General.

It is a cardinal rule of audit that an auditor ought not to audit his own executive acts, but it is clear that the Indian Comptroller and Auditor-General must audit his own acts as an executive officer of the Treasury. But, without laying unnecessary stress upon this point, we must urge that the arrangement is wrong in principle. It confuses functions which are in their nature distinct, and which ought to be kept distinct. The confusion tends to diminish both in the auditor's own eyes, and in the eyes of the public, the importance of the audit functions.

Objection is taken to the change on various grounds. In the first place the Indian Government object to the cost. They exaggerate, we think, the increase, which would be immediately an addition to the salary of the auditor and the possible creation of a new Deputy or Assistant Secretary in the Treasury. But in our view an independent auditor, reporting to an independent Committee, is a constant check on expenditure, because he can enforce a reference to other and important authorities b fore the constituted rules of the service are set aside; and this check would more than compensate for any moderate increase of expenditure which the change would entail.

Again it is said that no change is desirable, because no evidence has been adduced of the prevalence of irregularities. The same might have been said at home before 1866, but we know that the reports of the independent auditor in England have brought to light irregularities, many of them not the less serious because they did not involve the malversation of public money. It is quite possible that the Ministers and Officers of the Departments concerned, were of opinion that the vigilance of the auditor was a needlessly costly luxury; we may be sure, at all events, that they thought the auditor a bore. That, however, has not been the view of Parliament and of the public. The plea that there is no evidence of irregularities is equivalent to the cat's assurance that the cream is safe. The prudent housewife prefers more independent testimony. The true advantage, however, of independence is the knowledge throughout the service that the auditor will report without fear or favour unauthorised payments which come to his notice. That knowledge constitutes in itself a most effective security against irregularity.

Lastly, it is said that a system of audit which is good in England is not necessarily good in India. It is not the system but the principle of audit which is in question, and it would be a new theory that the principle upon which an audit is to be conducted varies with the temperature. This principle lays it down that the complete efficiency of the auditor can only be secured by detaching him from, and making him entirely independent of, the Government, and independent also of the class spirit which is invariably present in a great service.

But if an independent auditor is essential to the efficiency of the audit system in England, it is even more so in India. In England the administration acts under the eye of Parliament. If no such audit as the present were in existence, ministers and their officers would be on their guard against questions and discussions raised on information acquired by private members. There is no such line of defence for the taxpayer in India. The bureaucracy in India has no similar check upon it. No one, of course, likes control, and in that respect bureaucracies do not differ from individuals. The bureaucracy in India is a noble service of the highest character, but its character is not higher than that of the services at home, and it is difficult to assign a reason why the safeguard of a vigilant control should be less complete in India than it is in England.

We are convinced that the complete independence of the auditor is essential to a truly efficient system of audit, and we record our opinion that until the Indian Comptroller and Auditor-General is made entirely independent of the Indian Executive Government, the audit system of India is and will be gravely defective.

WELBY.
RALPH H. KNOX.
G. L. RYDER.

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2. *By Sir James Peile.*

I have signed the report in token of general concurrence. I add a few words of explanation or qualification on some passages in it.

Para. 67.—The confidential memorandum, which a member of the Viceroy's Council is to be permitted to write and forward through the Viceroy to the Secretary of State, may be withheld from the public (this is what Lord Cromer suggested), but should not be withheld from the members' colleagues.

Para. 129.— It is suggested that the Indian Budget provision for famine relief and insurance should be increased and made permanent like the new Sinking Fund in England. I doubt whether the conditions of Indian finance admit of this at present.

Para. 180.—I do not think that it is expedient to adopt in India the pension scale of the English Civil Service. The result would be an increase of the Pensions of the Indian Civil Servants who retire from high appointments, but the anticipated benefit to the taxpayer would be obtained by giving pensions less than 1,000*l.* a year to the average Civil Servant. I do not think this desirable.

Para. 233.—Contribution by Parliament to the charge of the India Office. "This "contribution may be made the subject either of a charge on the Consolidated Fund or "of an annual vote."

The proposal to contribute is very reasonable, but I am strongly opposed to any measure which would alter the control of expenditure for Indian purposes, or the payment of the salary of the Secretary of State from the revenues of India, as now regulated by the Statute of 1858 [21 & 22 Vict. c. 106].

Para. 243.—China Consular Establishments. India pays 12,500*l.* No change recommended.

I did not dissent from this conclusion. But this payment is really a relic of a long extinct trade monopoly, and I think that the British Government might very well resign it.

Para. 310–15.—Naval charges.

I do not consider the present contribution of 100,000*l.* yearly by India other than a moderate payment for being made safe against all the navies of the world. The award of Lord Rosebery made India chargeable for a contribution for general Navy purposes, and we cannot dispute it, though I take that contribution to be indisputably an addition to the payment first made by India in 1869, which was demanded to meet the cost of a special service of "ships employed in the Bay of Bengal, the Arabian Gulf and "the Persian Gulf and the Red Sea," as is clearly stated in the Admiralty letter to the India Office quoted in para 312. But I do not think that the 100,000*l.* is shown to be a moderate charge by comparing it with about 300,000*l.* which India spent annually on her navy before 1869. For, besides paying in all 160,000*l.* yearly to the Admiralty, India maintains a Marine which is shown in another part of the Report to cost about 436,000*l.* a year. Armament for three of the ships of the Indian Marine has been provided, but has been landed and stored on the requisition of the Admiralty. There is apparently some duplication of force here, as India pays the cost of the smaller Navy vessels employed for the police of her coasts, while she maintains ships and armaments capable of performing the same duty. The objections to employing these latter vessels do not seem to be very strong. For the Royal Indian Marine Act of 1884 (47 & 48 Vict. c. 38) says in its preamble, "Whereas a marine establish-"ment called Her Majesty's Indian Marine Service is employed under the direction of "the Governor-General of India in Council, for the transport of troops, the guarding "of convict settlements, the suppression of piracy, the survey of coasts and harbours;" and the Act gives power to the Governor-General in Council to make laws for maintaining discipline in that service; the laws are to apply to offences within Indian waters; and the expression "Indian waters" includes the "high seas between the

" Cape of Good Hope on the West, and the Straits of Magellan on the East, and all " territorial waters between those limits." Now the Statute is defeated as regards suppression of piracy by the refusal to let the Indian Marine vessels carry armaments. Yet the Act passed under this statutory power—Act XIV. of 1887, "for the better " administration of Her Majesty's Indian Marine Service"—contains provisions for the punishment of misconduct in presence of the enemy, which implies that the Indian Marine vessels are combatant. And Admiral Kennedy says that, if these vessels were armed in time of peace, the Indian Marine Act would be quite sufficient to maintain discipline, while the Statute of 1884 provides that in time of war Her Majesty may direct that any vessel belonging to Her Majesty's Indian Marine Service, and the men and officers serving thereon, shall be under the orders of the Senior Naval Officer of the Station where such ship may be, and the men and officers shall be under the Naval Discipline Act in force and the Admiralty Regulations. Discipline is thus provided for, in peace and war. And I contend that the Admiralty orders forbidding any Indian Marine vessel to carry an armament do cause unnecessary expense to India for Navy substitutes. Admiral Kennedy admits that the Indian Marine could do the work at considerably less cost. Q. 8476.

Para. 339.—

" We consider that the exceptional position of India as to Military Charges should always be kept in view, and it will undoubtedly be remembered at the revision of the Capitation rate, when the contention of the War Office that India does not pay the full cost of the recruit will also be examined." Q. 8454.

Appendix No. 51, Sub-appendix I., Vol. II., p. 380.

Statement by the War Office of the annual cost of recruiting and training the soldiers supplied to India.

I should have liked to add something to what is said in paragraphs 338–9 of the Report on " the exceptional position of India as to Military Charges." It is needful to remember that the foreign and military policy pursued in India, while it certainly aims at the safety of India, is also the policy of a great European State, and therefore a policy of mixed elements. The dictum that India should contribute part of the cost of British Military operations in which India has a direct and substantial interest, may easily be turned round. Here there is a partnership which implies joint objects and interests, and that I think is a reason for great moderation in dealing with the home effective charges. I therefore strongly deprecate an increase of charge against India at the revision of the Capitation rate, on the contention of the War Office that the cost of recruiting and training the soldiers supplied to India is in excess of what India pays, and that, by including every conceivable item of cost, a much larger bill might be made out. Such treatment of the case would be appropriate if it were merely a question of supplying on commercial principles a military contingent to a foreign country in whose future England is not substantially interested.

These remarks do not of course apply to the Civil Expenditure on Administration, Justice, Public Works, Education, Sanitation, and the like. The Indian taxpayer may fairly criticise the method and scale of this expenditure, but there is no ground for saying that there is any other consideration involved in it, than the " moral and material " development of India to the best of our ability.

Here the British Government is not a partner but a guardian.

JAMES B. PEILE.

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3. *By Sir Andrew Scoble and Sir R. Mowbray.*

We have signed this Report, subject to the following reservations:

1. By the Act for the better government of India (21 & 22 Vict. c. 106) " the " expenditure of the revenues of India, both in India and elsewhere," was made " subject to the control of the Secretary of State in Council " (section 41), and it was provided (section 53) that the Secretary of State in Council should annually lay before both Houses of Parliament " an account for the year preceding that last " completed of the annual produce of the revenues of India," and of " all the annual " receipts and disbursements at home and abroad on account of the Government " of India. . . together with the latest estimate of the same for the last financial " year." The distinction thus drawn between the function of the Secretary of State in Council, and of Parliament, in regard to the administration of Indian finance appears to us important; and, until Parliament shall otherwise determine, we should

be averse to any change which, on the one hand, might tend to diminish the responsibility of the Secretary of State in Council, or, on the other hand, to impose upon Parliament any extension of the supervision which it already exercises. For this reason, we are opposed to the appointment of such a committee as is contemplated by paragraph 91 of the Report, some of the members of which are to be recruited from outside the Indian Council; and to the grant from Imperial revenues which is recommended in paragraph 234 of the Report, unless that grant is made from the Consolidated Fund.

2. The occasion for the separate representation of the interests of the East India Company in Asiatic diplomacy having ceased on the transfer of the Government of India to the Crown, we can see no reason why India should any longer be called upon to pay any contribution to the cost of our diplomatic and consular establishments in the East. We think the conduct of the external foreign affairs of India should be transferred to the management and charge of the British Foreign Office; while the internal foreign affairs of India (including Afghanistan) may fairly be left to the management and charge of the Government of India.

ANDREW R. SCOBLE.
R. G. C. MOWBRAY.

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4. *By Mr. Buchanan.*

Whilst I agree in the specific recommendations of the Commission that—

(1) There should be a substantial annual contribution of 50,000*l.* by the Imperial Exchequer to the cost of the India Office;

(2) The cost of the government of Aden should be divided between the Imperial and Indian Exchequers;

(3) The expenses of the sea-transport of troops between the United Kingdom and India should be shared equally by the two countries;

the above recommendations, if carried out, do not in my judgment satisfy the claim which India has put forward to more liberal treatment as regards apportionment of charge.

India's financial relations to the Government of the United Kingdom differ fundamentally from those of the Colonies or any other part of the Empire.

Not only are all home civil charges for the Colonies and dependencies borne by the Home Government, but large grants (amounting to several hundred thousand pounds annually) in aid of the administration and development of many colonies and dependencies are made from the Imperial Exchequer.

No colony or dependency makes any contribution towards the diplomatic or consular service of the Empire.

With the exception of the Australian and Cape contributions, amounting to 123,000*l.* and 30,000*l.* respectively, the naval defence of our colonies and dependencies is defrayed entirely from Imperial funds.

From a limited number of Crown colonies, there is an appropriation in aid of army expenditure amounting for the year 1899–1900 to 283,000*l.* With this exception the whole charges of British troops, employed outside the United Kingdom, are uniformly borne by the British Exchequer.

The position of India is very different. She pays the whole cost of the India Office and its staff, and the office itself was built and is maintained out of Indian funds. She pays a considerable proportion of the charge for missions and consulates in Persia, China, and other places, and in defraying the expenses of the government of Aden—a fortress a thousand miles from her shores—she discharges duties and bears expenses, elsewhere looked upon as exclusively Imperial.

She pays 100,000*l.* per annum to the Admiralty for the services of Her Majesty's ships on the East India Station, and another 59,600*l.* per annum for the maintenance of the naval floating and coast defences, which she has herself constructed at her own expense. She has surveyed her own seas and polices them, for which and other purposes she maintains a marine of her own, and she has constructed and maintains a dock at Bombay available free of charge for the use of Her Majesty's ships.

In so far as the military defence of India is concerned, India pays everything, the United Kingdom nothing.

India bears the entire cost of the army, British and Native, within her borders, the entire cost of the transport of British troops both to and from India, and she

pays besides an appropriation in aid of home military expenditure of more than a million and a half per annum.

It should be noted that she not merely pays and maintains the British troops within her borders, but provides guns, ammunition, and warlike stores for them, and builds and maintains all barracks. All military works, whether for the British or Native army, for Imperial or more particularly Indian defence, are constructed and paid for by India. Under the Military and Naval Works Acts of recent years, an expenditure amounting to many millions for the purposes of Imperial defence is being made from the British Exchequer and on British credit at home and in all parts of the Empire, except India. No aid has ever been given to India by the Imperial Government for the construction of similar works.

India has also been called upon from time to time to lend her troops for military service outside her own frontiers and to pay a part, and sometimes the whole, of the expenses of these non-Indian wars.

It cannot be a matter of surprise that those responsible for the Government of India have frequently protested against this apparently unequal treatment, and that ground has been afforded for the expression of a sense of injustice on the part of the Indian taxpayer.

The question arises whether, considering the important Imperial duties which India discharges, particularly in the military defence of the Empire, she has an equitable claim to a readjustment of the charges now laid upon her.

The principal payments made by India to the Imperial Exchequer may be thus classified:—

I. Diplomatic and consular charges, chiefly in Persia and China, amounting to upwards of 43,000*l.* per annum.

II. Naval charges, consisting of the two payments above-mentioned of 100,000*l.* and 59,600*l.* to the Admiralty.

III. Occasional charges for troops engaged in military operations beyond the frontiers of India.

IV. Military charges, consisting (as entered in the Estimates for the year 1899–1900) of payments—

	£
" To meet expenditure for raising and training recruits for India	548,700
" For deferred pay for service on the Indian Establishment	181,000
" For non-effective services of the European army serving in India	856,238
Total	£1,585,938

There is one common feature in these charges. They are payments paid from time to time for a short term of years after long negotiation and correspondence between the two governments. When the term expires the same negotiations and discussions are resumed. The last word in all cases is and must be with the Home Government. India always protests, and there are few of these charges in the justice of which she has acquiesced. These irritating negotiations, which Lord Salisbury has described as "squalid" and Lord Northbrook as a "scandal," are an unmixed evil. And it will be a great gain, political as well as financial, if some of these charges and the most contentious of them, can be done away with altogether, and others placed on a more stable foundation.

In order to justify these charges, various (and sometimes conflicting) theories are brought forward of the supposed relation of India to the Home Government. Sometimes she is treated as an independent power, at other times as in a position of strict administrative and legislative dependence. Sometimes she is spoken of as a partner in a joint concern, at other times as a more or less unwilling purchaser in a limited market.

These theories would not demand attention if it were not that frequent use is made of them by public Departments at home, particularly by the War Office, when imposing new charges on India.

The theory frequently put forward that the United Kingdom and India are "partners having an equal interest in respect of a joint undertaking" appears to be untenable, and the arguments adduced by Lord Cromer (when Finance Minister) in his Despatch of March 2, 1883 (Vol. II., App., pp. 365–6) unanswerable. "The Indian "authorities," he says, "are so far from having an equal voice in the decision on

"such matters, that it may be said without exaggeration they have scarcely any "voice at all." The Indian Government, however strongly it may protest, must always in the end agree to the terms imposed on her. India is a dependency of the United Kingdom, and her government strictly dependent on that of the United Kingdom.

If, however, the Home Government is supreme, she ought to exercise her supreme power with moderation and consideration. If the Indian Government is dependent, she should enjoy some of the advantages of dependence and be free from some of the burdens of independence.

It may be laid down as a cardinal principle that within her own borders India shall pay her own way, and that she shall provide not merely for her own internal government and protection, but generally for her defence against external as well as internal foes. No grant-in-aid from Imperial funds should be made to the Indian Government for Indian purposes within India itself except on very rare occasions and under very exceptional circumstances. Were such a practice to arise, it would seriously lessen the financial responsibility and administrative independence of the Government of India.

On the other hand, payments made by the Indian to the British Exchequer should also be exceptional, and in each case need special justification. The test of their fairness or unfairness may be taken to be whether they are or are not payments for Indian services or purposes in India.

Of course there are payments, such as the purchase of railway and other stores by the Indian Government in this country, about which there is no question. It is the four main branches of payment noted above that demand attention.

I. *Diplomatic and Consular Charges.*—Applying the above test, it is clear that India should be relieved of all charges for Missions and Consulates in Persia, China, and other places. Elsewhere throughout the British Empire these duties are Imperial duties, and their expenses defrayed from Imperial funds. No valid reason can be adduced for placing an exceptional burden in this respect on India.

II. *Naval Charges.*—The 59,600*l.* paid to the Admiralty by India for the working of her coast defence, ships, &c. is a perfectly justifiable charge, as forming a charge for services in India.

The sum of 100,000*l.* for general naval expenses is not, perhaps, excessive for the work done by Her Majesty's ships on the East India Station, and may be said to guarantee to India the protection of the British Navy in time of war; on this account it may be defended. It should, however, be borne in mind that for seven years after the abolition of the Indian Navy, from 1862 till 1869, India was not called upon to make any contribution. From 1869 to 1887 India was made to pay 70,000*l.*, then for some years 38,500*l.*, and now 100,000*l.* The charge is one that has caused frequent and not very harmonious negotiations between the two Governments (Vol. II., App. 46 and 47, pp. 309–361). The sum of 100,000*l.* is a very small item in a naval expenditure of over 27,000,000*l.*, and considering the comparative resources of the two exchequers, and the important part that India's military power plays in maintaining British supremacy in the East, it is perhaps hardly worth exacting.

III. *Charges for Military Operations beyond the Frontiers.*—This again is a subject that has been a constant matter of dispute, often protracted and out of proportion to the amount involved, between the Home Government and the Government of India.

A distinction, it appears to me, can be drawn between operations beyond the land frontiers of India, say, on the Persian, Afghan, Chinese, or Siamese borders, and the cases in which Indian troops have been called on for service over sea.

In the former case it is clear that Indian interests will always be affected and India must always bear a portion, sometimes the whole, charge. In my judgment she should bear the whole charge, except in those instances in which, although the immediate contest is with the enemy over the border, the real struggle is with a European or other Great Power beyond.

On the other hand, over-sea expeditions cannot be, and never have been, undertaken by India on her own initiative. In such cases it is the Home Government that calls upon India to furnish troops for military operations, the main interest and object of which are necessarily Imperial and not Indian. It would only be fair to make it obligatory that in all cases in which the Indian Government is called upon by the Home Government to furnish troops, European or Native, for an expedition beyond

the maritime frontiers of India, the Home Exchequer should bear all the expenses, ordinary and extraordinary.

IV. *The Military Charges* come last, but they are by far the largest and most important.

It has already been pointed out that, in so far as the military defence of India is concerned, India pays everything, and the United Kingdom nothing. And yet the maintenance of the military defence of India is one of the greatest of Imperial questions.

The military strength of India is the main factor in the strength of our Empire in the East. In virtue of that strength Great Britain is a great Asiatic power. We have had overwhelming practical evidence of the value to the Empire of the military forces of India in the aid, both direct and indirect, which she is rendering to us in the South African War. Nearly 6,000 British troops on complete war footing were rapidly despatched at a critical moment from India to Natal, others have followed, and Indian Native regiments now garrison Mauritius, Ceylon, Singapore, and other places from which British troops have been withdrawn for the purposes of the war.

Surely, therefore, both on general grounds and from our recent experience of the efficient help that India's military strength can give to the Empire, it is established beyond question that India's strength is the Empire's strength, and that in discharging these Imperial duties India has a fair claim that part of the burden should be borne by the Imperial Exchequer. There may be difficulties as to the method of making the charge and the amount, as to the equity of the claim on the part of India there can be no doubt.

It has been suggested that it might not be inequitable to consider 10,000 (or some such number) of the British troops in India as representing the force maintained there for Imperial rather than Indian needs, and that the expenses or part of the expenses of these troops might be borne by the Imperial and not by the Indian Exchequer.

Such a proposal is open to two practical objections. It would imply that the British force in India is larger than is necessary, which according to the evidence laid before the Commission is not the case. Secondly, it would divide the financial and administrative responsibility of the Government of India within the limits of India, and that too in the military department, in which above all others unity of authority is indispensable. Great though the burden of military expenditure in India is on the finances of India, the Government of India should continue to be exclusively responsible for all military administration within its borders.

But if there are practical difficulties in the way of a partition of military expenditure within India itself, it is all the more necessary to examine the military charges that India is called upon to pay at home, in order to determine whether they are in all respects fair and reasonable.

These payments consist of:—

	£
Capitation grant amounting to	548,700
Deferred Pay	181,000
Non-effective services of European force in India	856,238

If we accept the principle, that for the services of the 74,000 British troops in India, India shall pay, it may be contended that the two latter items form part of the pay and expenses of the British troops on the Indian Establishment, earned during the time they are in Indian service and of which service India gets the benefit.

The Capitation Grant stands in a very different position. Under that heading India is compelled to pay to the British Exchequer 7*l.* 10*s.* per head per annum for every British soldier on the Indian Establishment, in addition to paying all his pay and expenses, and a proportion of the non-efficient charges for the time she has had his services.

The 7*l.* 10*s.* is represented as the cost price of the recruiting and training of the British soldier at the time he is sent out to India, and India is made to hire British soldiers at that price.

The charge has no parallel elsewhere in the Empire. It would never have been made *de novo*. Its origin dates back to the time when India had a European force of her own, and for its service a recruiting station of her own at Warley in this country.

When the Company's European Army was abolished, the British Government made India pay not only for the British regiments supplied, but a proportion of the general recruiting charges at home.

Nothing has given rise to more frequent and long continued disputes between the two Governments from 1861 onwards; numerous committees and commissions have been appointed; the War Office and the India Office never agree, and as Sir Henry Brackenbury, who advocates the abolition of the charge, stated in evidence before us: "Nobody in India believes in the fairness of the capitation charges." 14,840.

If the Imperial Government were to forego this charge, it would be, firstly, the removal of a long-standing subject of contention between the Home and Indian Governments, that has caused much waste of time, temper, and money in the past, in constant inter-departmental negotiations, which, however settled for a time, always leave behind a permanent sense of unfairness and dissatisfaction in the minds of the Indian authorities and people.

It would further be the transference of a charge that is, in its nature, an Imperial and not an Indian charge, and that ought never to have been imposed upon India. The British Army is the army of the Empire. Of the British Army 74,000 men are permanently stationed in India, and are the symbol of British rule in that country. If India pays all their expenses whilst in her service, and all other charges for the military defence of India, she does everything that can be expected of her, and far more than is demanded from any other part of the Empire.

It would, lastly, be a substantial reduction of the military expenditure of India and a relief to the burdens of the Indian Exchequer, liable as it is to severe strains at uncertain intervals from famine and other unforeseen causes. It would be a recognition of the obligation (though perhaps not a complete one) which the United Kingdom owes to India for the effective part she bears in the military defence of the Empire at large.

Whether these specific proposals can be adopted or not, some readjustment of charge, going at least as far, seems to be essential in order to establish equitable financial relations between the two Governments. It is also of the highest political importance to endeavour to remove in a practical and substantial way the sense of harsh treatment, which has been given expression to by every Indian Government of the last generation, and which undoubtedly prevails in the minds of the Indian public.

T. R. BUCHANAN.

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5. *By Sir Ralph Knox.*

I am in general agreement with this Report except with the recommendation to transfer from Indian to Imperial charge half the cost of transport with the troops between India and this country.

I should have preferred to have relieved the Indian Government of some of the excess cost of the occupation of new territories on the frontier, until such time as these countries became entirely self-supporting.

RALPH H. KNOX.

Report by Sir W. Wedderburn, Mr. W. S. Caine, and Mr. D. Naoroji.

MAY IT PLEASE YOUR MAJESTY,

WE, the undersigned Commissioners appointed to inquire into the administration and management of the military and civil expenditure incurred under the authority of the Secretary of State for India in Council or of the Government of India, and the apportionment of charge between the Governments of the United Kingdom and India for purposes in which both are interested, being unable to agree in the Report proposed to be submitted to Your Majesty by our colleagues in the Commission, desire humbly to submit this, our separate report, for Your Majesty's consideration.

2. If the inquiry directed by the Commission had not been of the importance which we consider it to be, seeing that it involves the welfare of over 250 millions of Your Majesty's British Indian subjects, or if the points of difference had been confined to matters of detail and had not extended to matters of principle, we might have felt disposed to acquiesce in the Report proposed by our colleagues. But, on careful consideration, we regret to find that the differences are important, and, in some respects, fundamental. We recognise the great ability and experience of public affairs possessed by our colleagues; but we have a duty to discharge, and we must attempt to do so to the best of our power.

3. At an early stage of the proceedings of the Commission the differences between our colleagues and ourselves became apparent. As regards Indian expenditure, they seemed to be of opinion that the Inquiry directed by Your Majesty's Commission was restricted to the mechanical working of the machinery by which civil and military expenditure incurred in India is administered and managed. While, upon the question of the apportionment of charge between the Governments of the United Kindom and of India, they held that the main duty of the Commission was to see how certain disputes relating to accounts, existing between the War Office and the Admiralty of Great Britain on the one hand, and the India Office on the other, could best be settled. We conceive that the reference of the Commission went far beyond this. (App. A.) It will be remembered that when the Motion of August 14, 1894 (on the determination of which this Commission was issued), was before the House of Commons, Your Majesty's then Secretary of State for India stated in the House that the question which he wished to consider was *whether the Government of India, with all its machinery as then existing in India, had, or had not, promoted the general prosperity of the people in its charge, and whether India was better or worse off by being a province of the British Crown.* That, he said, was the test; and these are the broad lines which, as regards expenditure, we consider that our inquiry should follow. Q. 16,500.

4. The scope of the Inquiry, as understood by our colleagues, did not, as it seems to us, require that the machinery of a Royal Commission should be resorted to to carry it out. It could have been done by departmental committees, and the inquiry by such means would not have necessitated the examination of witnesses, more particularly the examination of witnesses brought from India at considerable expense.

5. Besides this fundamental difference of opinion between our colleagues on the one hand, and ourselves on the other, as regards the scope of the Inquiry, we are unable to agree with them upon certain of the conclusions which they have arrived at as regards the three sections of the Inquiry into which they have divided their Report, viz.:—I. Financial machinery; II. Progress of expenditure; III. Apportionment of charge. We propose, therefore, in this Report to (A) briefly set forth the grounds on which we are unable to accept the conclusions of our colleagues; (B) state generally the principles upon which we think our decisions should be based; and (C) make certain practical recommendations under each of the three sections into which our colleagues have divided their Report.

A.—Grounds for differing from our Colleagues.

I.—*Machinery of Financial Control.*

Qq. 16,508, 16,528 16,535, 16,540.

6. In examining any machinery it is necessary, not only to consider the mechanical working of the several parts, but also to see that the mechanism is well designed as a whole for the purpose in view, and that it is constructed of the proper materials, and in such proportions as to produce the best results with the least cost and waste. So also as regards financial machinery. The Report of our colleagues admirably summarises the book-keeping and departmental mechanism; but does not, in our opinion, sufficiently consider whether the public expenditure has been so controlled and guided as to promote in the most effectual way the general prosperity of the people in the charge of the Government of India.

Q. 17,833.

7. Moreover, the Commission has before it valuable materials bearing on these broader considerations. A large amount of important evidence has been recorded on the subject of control over expenditure exercised in the interests of the taxpayers. Upon this point the evidence of the highest authorities, ex-Viceroys and ex-Finance Ministers, was obtained; but afterwards, when the Report came to be considered, and draft clauses were brought forward by one of us (Sir William Wedderburn) to give effect to certain recommendations of the witnesses, our colleagues considered that this all-important branch of the subject was outside the scope of the reference. We maintain that this was an erroneous view of the scope of the reference; for, looking at the Parliamentary debates out of which the Commission originated, it will be seen that no complaint was made against the book-keeping and departmental mechanism of the Government of India. The complaint was that the expenditure was excessive and ill-directed, and that there exists no effective machinery by which this expenditure is checked or controlled.

II.—*Progress of Expenditure.*

8. As regards this section, it appears to us that the conclusions arrived at by our colleagues are, in great measure, vitiated by certain underlying fallacies. Thus, it is stated, that the "growth of expenditure should, in the first place, be measured against "the growth of revenue, that is to say, against the normal increase of revenue indepen- "dent of changes in taxation;" but it is evident that a full understanding of the Indian Revenue system is necessary before one can attempt to decide so delicate an economic question as the normal growth of revenue; and by the terms of the reference the Commission was, as we conceive, precluded from making the inquiry necessary to obtain such understanding. An inquiry into the nature of the Revenue system was, indeed, asked for in the Resolution of August 14, 1894, but this request was distinctly negatived by Sir Henry Fowler, who decided that the reference should be limited to the question of expenditure.

9. If, however, an inquiry into the Revenue system was to be made, that inquiry should have been thorough and complete, to enable the Commission to make it the basis of important conclusions; but the inquiry that was actually made was imperfect and one-sided, for, in spite of emphatic protests, the Commission accepted as conclusive what the official witnesses declared to be the normal increase of revenue, without testing the correctness of their calculations, although these official witnesses were asked by one of us (Mr. Naoroji) to supply certain information by which their statements could be tested, and they failed to do so. It thus resulted that important factors were omitted from the calculations, as, for example, the additional heavy burden which, according to many competent judges, was imposed upon the taxpayers by enhancements of land assessment, by changes in abkári regulations, and by the closing of the mints, a proceeding which, in a disguised form, increased all taxation by above 30 per cent., this increase being most onerous in the case of land and salt.

Qq. 715–8, 736, 763, 1785–8, 10,966, 10,979.

10. Again, our colleagues' report lays down the principle that the growth of expenditure should be "analysed in its several branches in order to ascertain how "far the increase is normal and incurred in order to meet the needs of a civilised and "growing community, or how far it is abnormal and due to special causes." But in dealing with this question sufficient consideration has not been given to the fact that India, being under foreign domination and not a self-governing country, is not in a position to adjust increased expenditure according to increased growth and needs.

App. A., para. 12. App. B., paras. 48, 107, 118. Qq. 6580–3, 2309.

In the United Kingdom and in every self-governing State or Colony all the resources are at the command of the taxpayers, and the result is a sort of self-acting sliding scale, which regulates expenditure according to the needs and wishes of the people. There exists in such countries a normal economic condition; what is raised from the people returns to the people by the will of the people. But that is quite different in India, where there exists an abnormal economic condition; of what is there raised from the people a large portion does not return to the people. Also the taxpayers have no voice in the expenditure, and the increased expenditure is imposed to meet not so much the growing needs of the country as the ever increasing drain of remittances to this country. The causes of this increasing drain, and its serious political consequences, were well pointed out by Lord Randolph Churchill, as Secretary of State for India, when he said, "The position of India in relation to taxation and "the sources of public revenue is very peculiar, not merely from the habits of the "people and their strong aversion to change—which is more especially exhibited to "new forms of taxation—but likewise from the character of the government, which "is in the hands of foreigners, who hold all the principal administrative offices and "form so large a part of the army. The impatience of the new taxation which will "have to be borne wholly as a consequence of the foreign rule imposed on the "country, and virtually to meet additions to charges arising outside of the country, "would constitute a political danger, the real magnitude of which it is to be feared "is not at all appreciated by persons who have no knowledge or concern in the "government of India, but which those responsible for the government have long "regarded as of the most serious order."

Qq. 230–2, 1023. Qq. 12,025, 15,993, 18,638, 2299–300, 6611–13, 6581–83, 7517–19, 8172, 3200, 7524, 2302, 1145–6, 16,502, 18,620, 17,819, 2296. App. B., paras. 111, 112, 133, 138. App. A., para. 12.

11. With pain we must record our concurrence in this view, that the increase of Indian expenditure is a consequence of foreign rule, and is largely to "meet additions "to charges arising outside of the country." It is not that domestic needs are few or unimportant. On the contrary, the people of India have many urgent needs, which are clearly stated year by year in the Resolutions passed by the Indian National Congress. For example, they desire the separation of judicial and executive functions; they ask that the police and other subordinate establishments should be adequately paid; they need funds for sanitation and water supply; and they insist that they should have better facilities afforded for all kinds of education. No one denies that these demands are just; but they are resisted on the ground that there are no funds in the hands of the Government with which to give effect to them. On the other hand vast sums are found to meet the wishes of British capitalists for railway extension (*vide* Mr. Naoroji's letter to the Secretary of State, September 13, 1880, App. B., paras. 40, 86–96). And when on account of special circumstances an increase of establishment is sanctioned, or a new department is created, the principal benefit of that increase too often goes to officials imported into India from this country, and not to Your Majesty's Indian subjects. For example, a famine arises; and numbers of Europeans are given employment at high salaries, when respectable Indians could be found to do the work on much smaller salaries and with more sympathy and better knowledge of the people. The plague breaks out, and numbers of doctors and nurses are sent out from this country at great expense, displacing and discouraging the local doctors and nurses who have been bearing the burden and heat of the day.

Qq. 18,963–4. Qq. 4384–5, 17,680, 19,419. Qq. 17,674. Q. 9963–6, 9983, 9985, 17,691, 18,364–6, 19,645, 19,647, Vol. II., App. 29. Q. 7816, 7818–20. 1970, 8185–7, 8167–72, 8202, 9631, 12,205, 12,211, 17,502, 17,580, Vol. II., App. 27–8. Qq. 18,331, 18,333, 18,335.

12. For these and other reasons we consider that the tests applied by our colleagues are fallacious, and that due consideration has not been given to the test laid down by Sir H. Fowler, viz., Whether the result of this increased expenditure has been beneficial or not to the masses of the people.

III.—*Apportionment of Charge.*

13. In certain of our colleagues' recommendations, which we shall afterwards specify, we are glad to be able to concur; but, as already indicated, we find ourselves unable to accept the limited interpretation given by them to the reference, and the method by which the apportionment of charge has been arrived at. With regard to this important difference of opinion, it seems necessary to give our reasons a little more in detail. In the first place the language of the reference seems to us perfectly clear, as including every charge for purposes in which the Governments of the United Kingdom and India are both interested. There is no restriction of any kind, and it appears to us, therefore, that our colleagues have wrongly restricted the scope of the reference, when, with the exception of a part of the establishment of the India Office and some minor charges, they deal only with certain special matters in dispute

between the India Office on the one hand, and the War Office and the Admiralty on the other. This error, in our judgment, affects to a large extent the whole of the proceedings of the Commission. At our very first meeting it was suggested by some members that the apportionment clause of the reference had for its object only the settlement of the disputes between these three departments. Against this view Mr. Naoroji, the only native of India who was a member of the Commission, at once protested, and immediately afterwards, before any witnesses were examined, put in the statement (App. A.) pointing out that according to the terms of the reference, it was necessary to go into the question of the charge for all purposes in which India and the United Kingdom were jointly interested. Some light is thrown upon this point by the proceedings in Parliament out of which the Commission arose. The original Motion was directed generally to an inquiry into the financial relations between India and the United Kingdom, but in order to make the scope of the Motion more clear, Mr. Naoroji, on February 12, 1895, moved an amendment to the Address, praying your Gracious Majesty to "Direct your Majesty's Ministers to so adjust the financial "relations between the United Kingdom and British India with regard to all the "expenditure incurred in the employment of Europeans in the British Indian services, "civil and military, in this country and in India, that some fair and adequate portion "of such expenditure should be borne by the British Exchequer." To this part of the amendment Sir Henry Fowler gave ready assent in his speech, admitting that the subject was one "not undeserving of inquiry, and afterwards adding, "with reference "to the opinion expressed in the Amendment, that a fair and adequate portion of the "expenditure should be borne by the British Exchequer, we are quite willing that "such an Inquiry should take place, and we should be quite satisfied to abide by the "result." Accordingly in the Commission which was afterwards issued there are no restrictions; nor is there any reference to the particular matters in dispute between the India Office and other departments of the Imperial Government.

14. In passing we may, perhaps be allowed to say that Sir Henry Fowler, by recommending to your Majesty to grant this Commission, and by laying down a clear, wise, and full reference as prayed for has, according to our view, conferred a substantial benefit upon the Indian people.

Qq. 5345, &c., 5370, &c., 6622, &c.

Qq. 16,496 -7.

6612.

App. D., para. 34.

Qq. 9527–8, 6613.

App. E., paras. 48–50.

Q. 5345.

15. It was upon this view of the reference that Mr. Naoroji examined the witnesses and gave his own evidence, and also submitted detailed statements dealing with the matter in all its bearings (Appendix A to I), and we confess that it is with regret and surprise that we find our colleagues in their Report have ignored so much that is vital to the Inquiry. But even on their own ground we are bound to point out that a serious fallacy runs through their Report. In dealing with the dispute between the India Office on the one hand, and the War Office and the Admiralty on the other, they seem to assume that the Indian Government represents the India of the Indians, as though India were an independent country, having its own resources at its own command, and able to negotiate for its own conditions and terms. Arguments and conclusions based upon such an assumption must necessarily be fallacious. Mr. Gladstone once said, "It appears to me that to make such a statement—that the judgment "of the Viceroy is a sufficient expression of that of the people of India—is an expression "of paradox really surprising, and such as is rarely heard among us." It, therefore, appears to us that such terms as "Indian interests" and "Indian wants" are sometimes used in our colleagues' Report in a misleading sense. As a matter of fact the dispute above referred to is only between three departments of the Imperial Government, in which the people of India have no voice, the main point in controversy being the payment for the European troops, who, to use the words of the Government of India, "are maintained for the security of India not against domestic enemies or to "prevent the incursions of the warlike peoples of the adjoining countries, but to "maintain the supremacy of British power in the East." It is evident that expenditure of this sort is at least as much a British as an Indian interest.

16. In concluding this portion of the subject we would also submit that our colleagues have hardly given sufficient consideration to the aspects of the case as seen from the Indian point of view. The Commission decided to bring over at the public expense three non-official Indian witnesses from Calcutta, Madras, and Bombay, and we recognised with pleasure the steps taken by the authorities in India to secure for this important duty the services of gentlemen well qualified to speak on behalf of Indian public opinion. The fourth Indian witness was sent by a public body in the Deccan, at its own expense; and public meetings in Calcutta and elsewhere deputed a fifth witness to give evidence on the subject of the Indian medical service. Further,

Mr. Naoroji, who, as we have said, was the only native of India on the Commission, offered himself as a witness, and placed before the Commission a set of nine documents (App. A to I), setting forth in detail the case on behalf of Indians in its several aspects. Finally, evidence of a technical kind was given on behalf of the British Committee of the Indian National Congress by their late secretary, Mr. Morgan-Browne. Each of these seven witnesses before his examination placed in the hands of the Commission a concise written statement embodying the subject matter of his evidence; and upon these statements they were all carefully cross-examined by the Commission, some 3,770 questions being put to them.

Qq. 16,496–7.

17. Without desiring in any way to undervalue the evidence of the English officials who were examined before the Commission, we think that very great importance ought to be attached to the evidence of these independent Indian witnesses. They are in touch with the people, and they know the views held by their countrymen generally on the questions before the Commission, and the facts brought forward by them in support of their views are worthy of the most careful consideration. It is to us, therefore, a matter of deep regret that our colleagues do not seem to have given to this evidence the importance it deserves, their Report containing no reference to the facts and views put forward by Mr. Naoroji and the other Indian witnesses. For it must be borne in mind that, however trustworthy high English officials are personally, their opinions are those of a special class, and their information is in great measure derived primarily from ill-paid and untrustworthy subordinates; while the Commission has not been in a position to check or test this official information, as the Government of India has failed to publish facts and figures in the form required by Parliament, and recommended by its own Statistical Committee. For the particulars of these statistics we desire to refer to Appendix C. of our report.

App. C., paras. 3–5, 9–10.

B.—General Principles as Basis for Decision.

18. The objects of British rule in India, and the principles according to which it should be administered, have been clearly and repeatedly declared by the highest authorities, both by your Majesty personally and by British statesmen of foremost rank and distinction. For these declarations the people of India are deeply grateful; and we desire humbly to state our belief that if the principles there laid down are carefully followed, the result will be prosperity and contentment in India, with hearty attachment to British rule, and great material benefits to the British people themselves. It is by these principles that we seek to be guided in making our recommendations.

Qq. 13,642. App. A., para. 37. App. E., paras. 6–8. App. F., paras. 8, 9, 12, 14, 16. Qq. 16,499, 17,014.

19. First in importance comes your Majesty's gracious Proclamation of 1858, on assuming the direct administration of India. In that Magna Charta of Indian hopes your Majesty gave the people of India the following assurance:—"When, by the "blessing of Providence, internal tranquillity shall be restored, it is Our earnest "desire . . . . to administer its government for the benefit of all Our subjects "resident therein. . . . . In their prosperity will be Our strength; in their "contentment Our security; and in their gratitude Our best reward: And may the "God of all power grant unto Us, and to those in authority under Us, strength to "carry out these Our wishes for the good of Our people." Further, your Majesty graciously recognised in your Indian subjects the full rights of citizenship, with a due share in the honours and emoluments of State employment: "And it is Our further "will that, so far as may be, Our subjects, of whatever race or creed, be freely and "impartially admitted to offices in Our service the duties of which they may be "qualified, by their education, ability, and integrity, duly to discharge." The pledges thus given were confirmed on the assumption of the Imperial title in 1877 and at the Jubilee of 1887. Accordingly we conceive that, in making our report, our specific duty is to consider whether Indian expenditure has been so managed and administered as to fulfil your Majesty's gracious desire of promoting the prosperity of all your Indian subjects.

App. F., paras. 46–8, 115, 173.

20. The primary object desired by your Majesty being to secure the welfare of the whole of the people of India, we propose to cite a few of the leading authorities showing the means by which that object may best be attained. The most salient fact with which we have to deal is the extreme poverty of the masses in India. Sir Evelyn Baring (now Lord Cromer), when Finance Minister of India, said: "The tax-paying "community is exceedingly poor. To derive any large increase from so poor a

Q. 16,521. App. A., para. 19.

" population as this is obviously impossible, and, if it were possible, would be " unjustifiable." Sir Auckland Colvin, another Finance Minister, describes them as men " whose income, at the best, is barely sufficient to afford them the sustenance " necessary to support life, living, as they do, upon the barest necessaries of life."* Q. 2281. And Sir David Barbour, who also held the same office, has given evidence to the same effect. It seems, however, unnecessary to quote further authorities, as the destitution of the Indian masses is well known, and has become most painfully manifest by their helplessness in the presence of scarcity and famine. They have no store of food, money, or credit. Indeed, the great majority have less than nothing, being hopelessly in debt to the money-lenders. We may mention that the extreme poverty of India was brought specially before the India Office so long ago as 1880, when Mr. Naoroji submitted to Lord Hartington the statistics upon which his conclusions were based, and these were analysed by Mr. Danvers on behalf of the India Office. Extracts from this correspondence are given as Appendix B. Such being the condition of the people, it is evident that every effort should be made to secure economy in the expenditure. Qq. 2290–300. 4085, 4092. 4144–6, 4176, &c. This is the great central fact, which must be constantly kept in view. For, as long as it is difficult for the masses to keep alive, all demands for expenditure must be scrutinised with extreme rigour. Also petty savings here and there are useless. What is wanted is a reduction in the general scale of expenditure; and this, fortunately, is Qq. 16,540–1, 16,543, 16,548–52, 16,554, 16,556–8. possible in at least one direction; because at present so large a portion of the administration is carried on by costly European agency, which might advantageously be replaced by cheap but efficient agency obtained in the country. Such is the view taken by Sir William Hunter, who says: " You cannot work with imported labour as " cheaply as you can with Native labour; and I regard the more extended employment Qq. 2299, 18,331, 19,799. " of the Natives not only as an act of justice but as a financial necessity. . . . . " If we are to govern the Indian people efficiently and cheaply, we must govern Q. 16,528. App. A., para. 9. " them by means of themselves, and pay for the administration at the market " rates of Native labour." *This, in our judgment, is the key to the whole position.* The same view was expressed by the Duke of Devonshire, as Secretary of State for India, when he said: " If the country is to be better governed, that can only be done by the App. A., para. 8. " employment of the best and most intelligent of the Natives in the service." Lord App. E., para. 8. Iddesleigh, also, as Secretary of State for India, said: " If they were to discharge " their duty towards India, they could only discharge that duty by obtaining the " assistance and counsel of all who were great and good in that country. It would be " absurd in them to say that there was not a large fund of statesmanship and ability " in the Indian character." If that large fund of capacity was not properly utilised for employment in the higher grades of the service, Lord Lytton, as Viceroy of India, was of opinion that the fault was ours, for moving in a vicious circle: " We do not," he said, " employ Natives more largely because they are not well qualified, and they " are not well qualified because we do not employ them enough."† The employment of Indians in the higher grades has, from 1833, been the subject of legislation and many important debates and despatches; but as these are too voluminous to include in the body of our Report, we have given a historical summary of the question in Appendix F.

21. Now, as regards employment in the higher, as well as the lower, grades of the service, the law laid down in the Act of 1833 is that no Indian shall by reason only of his religion, place of birth, descent, or colour, be disabled from holding any place, office, or employment. And this equality of citizenship was fully affirmed in your Majesty's gracious proclamation of 1858, when it was declared that merit and capacity were to be the sole qualifications for employment. But we feel it our duty to point out that, while nominally on an equality, Indian subjects of your Majesty are under a great disadvantage in the open competitions through which entry into the higher grades of the service is mainly obtainable. The competitive examinations are held in London, and as they are conducted in English, Indian candidates are severely handicapped by the great distance and by the expense of visiting England, with the added difficulty of the language. The hardship thus inflicted upon young Indians desirous of a career in the service of their own country, was fully admitted by a App. F., paras. 43–9. Committee of five members of the Council of the Secretary of State for India, which in 1860 dealt with this question, and emphatically recommended that the competitive examinations should be held simultaneously in India and in England. This was the App. F., paras. 22, 23, 69, 70. view taken by the late Lord Derby, and by Mr. Fawcett; and it was approved by the House of Commons, which, by a resolution passed on 2nd June, 1893, recommended that " all open competitive examinations heretofore held in England alone for appoint-

* Income Tax speech, January 1886. † Life of Lord Lytton, by Lady Betty Balfour, p. 532.

ments to the Civil Services of India shall henceforth be held simultaneously both in India and England, such examinations in both countries being identical in their "nature, and all who compete being finally classed in one list according to merit." Unfortunately this resolution has not hitherto been put in force, and consequently effect has not been given to the principle affirmed by your gracious Majesty that there should be no disqualifications of race or religion, and that employment should be given on the sole ground of merit and qualification. Q. 19,414. App. F., paras. 179, &c.

22. Looking to the interests of the Indian taxpayer, there are besides several incidental advantages arising from the employment of Indians in the higher grades of the service. At present the lower grades of the service, in the police and other departments, are filled with an unsatisfactory class of men. This is so because their salaries are insufficient, and because they have no prospect of promotion to the higher grades. If there was this prospect of promotion, a better class of men would enter the subordinate grades, and the taxpayers would get better value for their money. Another incidental advantage to India from a larger employment of Indians in the higher grades is that the salaries and pensions would be spent, or saved, in India, tending thus to the accumulation of capital, instead of draining it away in great measure for the benefit of England. But, perhaps, the greatest advantage from this policy would be found in its influence upon the spirit of the administration. If educated Indians were employed, not only as hewers of wood and drawers of water, but in the higher offices of the State, they would be able, from their intimate knowledge of the people, and sympathy with their requirements, to give to the administration that fitness and elasticity, without which it cannot be efficient and economical. For these reasons we place the free employment of Indians in the higher grades foremost among the measures of reform necessary to make Indian expenditure conformable to the welfare of the masses, while we do not overlook the general benefits which will accrue from associating them in the higher responsibilities of our administration, and making them feel that British rule constitutes a truly national government. Qq. 19,419, 17,674. Qq. 7517, 7519, 7524, 16,548. Q. 19,799.

23. The above observations have reference principally to the civil administration. But the same considerations, both of financial economy and political advantage, hold good as regards military expenditure. The courage, discipline, and devotion of the Indian troops are beyond question,* and have received full recognition from the highest military authorities; and we believe that by admitting qualified Indians to the higher ranks of your Majesty's army, attachment to British rule would be fostered among the warlike races of India, while a new element of strength would be added, without increased expense, to the military position. For this purpose military colleges would be required in India, where Indians would be trained for a military career as commissioned and non-commissioned officers. A proposal to establish such colleges was, we believe, looked on favourably by His Royal Highness the Duke of Connaught.† In this connexion we may state our opinion that certain important advantages would accrue from a shorter term of military service for Indian troops, with the formation of a reserve force, enjoying a small pension. The reservists would feel themselves bound to be (according to Indian parlance) true to your Majesty's salt; and would spread a feeling of loyalty among their surroundings. An easy mode of increasing the numerical strength of the army on occasions of emergency would also be thus provided. We regret that the War Office, by excluding Indians from commissions in the British Army, appear to have laid down a rule inconsistent with the Act of 1833 and Your Gracious Majesty's Proclamation of 1858. The facts on this point are set forth in Appendix G. Q. 15,689. Q. 6593.

24. From what has been said above it will be seen that the principal means by which, in our opinion, a saving in expenditure may be obtained, is by strictly limiting the employment of costly imported agency, and by freely employing qualified Indians in all branches of their country's service. But in order to scrutinise current expenditure, and steadily enforce economy in the interest of the taxpayer, it is absolutely essential that representatives of the taxpayer should have a fair hearing in the various bodies by which Indian expenditure is directed and controlled. We shall, therefore, in our practical recommendations, make certain suggestions for a moderate representation of the people of India, in the Legislative (App. B., paras. 133–6) and Executive Councils in India, in the Council of the Secretary of State, and in the House of Commons. These Councils, both in India and in England, are filled with British officers of experience and distinction. But it is an old and accepted saying that no one knows where the shoe pinches but the wearer. And we are of opinion that these Qq. 4176, &c. Qq. 1145–6 Qq. 16,528, 16,138.

* Lord Curzon—*Times*, 8/11/1898. † Indian National Congress, First Report.

high officials would be much assisted in their responsible duties if they had an opportunity of hearing at first hand the views of an Indian, who naturally would be fully in touch with the people. Even when they held his view of a proposed measure to be mistaken, it would be useful to them to know in what light that measure appeared to the masses of the people whose interests were involved. In urging these concessions we are influenced by a desire to identify Indian interests with those of this country, thereby increasing the strength and solidarity of the Empire.

25. In concluding this part of the subject, as to general principles, we desire to draw special attention to the words of the Marquis of Salisbury regarding the merits of the system followed in well-governed Native States. He said, "The general concurrence "of opinion of those who know India best, is that a number of well-governed Native "States are in the highest degree advantageous to the political and moral condition "of the people of India." Similarly, Lord Iddesleigh said, "We should endeavour as "far as possible to develop the system of Native government, to bring out Native "talent and statesmanship, and to enlist in the cause of government all that is great "and good in them." These were not mere empty expressions of goodwill, for in the case of Mysore these two statesmen gave effect to their convictions, by restoring that State to Native rule under circumstances which secured the welfare of the people, and formed a bright episode in the history of British rule. (Appendix E.) It is our belief that, in accordance with these views, great benefit would result to British districts if, by a process of decentralisation, they were administered more after the model of a well-ordered Native State. The scale of expenditure would be much reduced, while the administration, being relieved from the rigidity of the great centralised departments, would be better able to adapt itself to special local needs and requirements, remaining at the same time under the complete control of the Indian Government.

C.—Practical Recommendations.

I.—Financial Control.

Qq. 17859–60, 19,073.

26. From 1883 to 1887 Sir Auckland Colvin held the office of Financial Member of the Viceroy's Council or "Finance Minister," as he is commonly called; and Sir David Barbour held the same office from 1888 to 1893. These two witnesses therefore can speak with authority as to the practical working, during this most important decade, of the machinery for controlling Indian expenditure; and they are both clearly of opinion (Q. 1833, 1930, 2909–11) that this machinery is defective, and that the Indian Administration does not give sufficient attention to financial considerations. In order to remedy this defect they are not prepared to put forward any definite scheme. But Sir A Colvin (Q. 3123) would look for the remedy in the direction (1) of strengthening the financial interests in the Council of the Secretary of State; and (2) of trying in some way, without undue interference with the authority of the Government of India, to establish a control emanating from Parliament as the ultimate authority. With reference to this second point Sir D. Barbour (Q. 2183) thinks that the general control of Parliament over Indian expenditure is most valuable, while he deprecates interference in matters of detail. As regards the method by which the control should be exercised he suggests (Q. 2235–7) that in dealing with Indian affairs Parliament should appoint a Select Committee from time to time to report upon particular questions, and he is of opinion that it is most dangerous for Parliament to interfere without first taking the report of a Select Committee or of some other special body.

27. The problem is thus presented to this Commission under two natural headings (*a*) control by the Secretary of State in Council, that is, official discipline; and (*b*) control by the House of Commons, that is, constitutional control; and the question is, how can the existing machinery be made effective as regards each of these headings? But before going into these considerations it seems desirable briefly to notice an unsuccessful attempt to adapt to the case of India the machinery which has been found effective in controlling Imperial expenditure. The control over Imperial expenditure is exercised under the provisions of the Exchequer Audit Act of 1866; and the Chairman (Q. 1841 and 1850) has pointed out that under that Act the Comptroller and Auditor-General by his Appropriation Audit, renders valuable service in two distinct directions; (1) he supports the Chancellor of the Exchequer, as head of the Treasury, by assisting him to maintain the orderly administration of the finances throughout the public service; and (2) he controls the Chancellor of the Exchequer by reporting to the

House of Commons any irregularity on the part of the Treasury, and the House of Commons through its Standing Committee pronounces judgment on such irregularity. It is evident that these two duties of the Comptroller and Auditor-General are not only distinct but also diverse in their aim and object. On the one hand he helps the financial head of the executive to enforce discipline upon all grades of the official hierarchy; and on the other hand he helps the House of Commons, representing the taxpayers to exercise constitutional control over the whole executive, and especially over the Treasury which controls all the rest. In other words the objects aimed at by the Act are those desired by Sir A Colvin and Sir D. Barbour, viz. (*a*) official discipline; and (*b*) constitutional control.

28. In England the system has been found to work well; and a printed correspondence has been placed before this Commission showing that between 1881 and 1893 an attempt was made to extend to Indian expenditure, *mutatis mutandis*, the benefits of the Imperial system of an Annual Appropriation Audit. But, unfortunately, sufficient account was not taken of the difference between the Indian and British systems of Administration; and the consequence is that the audit has been applied at the wrong place, with the result that (at considerable cost) a new and superfluous check has been imposed upon subordinate officials in India, while leaving untouched the vital problem of enforcing Parliamentary authority over the whole body of the Indian Executive. The error seems to have arisen from carrying too far the technical analogy between the Viceroy in Council and the House of Commons, as the authority which appropriates the supplies; and also the analogy between the Finance Minister in India and the British Chancellor of the Exchequer in England. The Financial Member of the Viceroy's Council is no doubt the financial expert, and he frames the Indian Budget; but for the purposes of the Appropriation Audit his position does not correspond with that of the Chancellor of the Exchequer. As regards the Appropriation Audit the Chancellor of the Exchequer is the central figure, not because he is the financial expert, or because he frames the Budget, but because he is the responsible head of the Treasury. And the responsible head of the Indian Treasury is not the Finance Member of the Viceroy's Council, but the Secretary of State for India in Council. To create, therefore, any constitutional control, the check should be applied at the point of contact between the India Office and the House of Commons. Instead of this, the report of the Indian Comptroller and Auditor-General takes effect several places down the official scale, somewhere between the Viceroy and the Financial Member of his Council, with this result, that instead of being a constitutional instrument (as in England) of the highest value, it evidently is of no value at all for such a purpose. And as regards official discipline, the day to day audit already does all that is required; so that Sir H. Waterfield and Mr. Jacob (Q. 949–957), Sir David Barbour (Q. 2250–1), and Sir A. Colvin (Q. 3107) all agree that as regards control of any kind the annual Appropriation Audit Report in India is of no practical use at all. Indeed Sir D. Barbour goes so far as to say (Q. 2156) that he found the Appropriation Report "rather troublesome," as being merely a "rehash" of questions disposed of twelve months before. This supposed check, therefore, as at present applied, is illusory, and mischievous, as tending to create a false sense of security. Nor does it appear that any practical advantage could be gained by submitting an Indian Appropriation Audit Report to a Committee of the House of Commons as the House (Q. 1118–9) does not vote or sanction the Indian Budget, and has no interest or responsibility in seeing that its provisions have been complied with. Also (Q. 966) it has been pointed out that a Committee of the House could not deal with the technical details of such a report without explanation from officials whose duties keep them in India.

29. From these considerations it seems clear that, although the objects to be attained are similar, the British machinery of an Appropriation Audit is not suited to the peculiar conditions of Indian administration, where the authority which sanctions the budget, and the authority which ultimately makes the expenditure, is one and the same, viz., the Indian Executive. For them the budget is not a binding instrument; it is only a voluntary expression of anticipated expenditure, which they can afterwards abide by or not, according to circumstances and their own discretion. If the ultimate expenditure does not correspond with the original anticipation, it may be a matter for criticism, but is of no constitutional importance. We cannot, therefore, support the proposal referred to in para. 89 of our colleagues' Report, regarding the appointment of a Comptroller and Auditor-General; and we must fall back upon the suggestions (noted above, paras. 26 and 27) of the expert witnesses, as regards (*a*) control by the Secretary of State in Council, and (*b*) control by the House of Commons; and, looking

to the actual conditions of Indian finance, consider how best the machinery can be made effective under each of these headings. The first important point to be borne in mind is that, the administration of India being purely official, there is a strong natural tendency towards increasing expenditure. Each official, seeing within his own sphere great opportunities for useful public expenditure, is eager to obtain the necessary funds, while he has no occasion to consider the effect of such demands in the aggregate upon the public treasury. And the financial danger arising from this tendency has very much increased owing to the increasing power of great centralised spending departments: these are highly organised and ambitious, and each of them being represented in the Executive by some member of the Viceroy's Council, their combined pressure is brought to bear (Q. 1928) upon the Financial Department, which is expected to find the ways and means. Now as against this general and continuous pressure towards expenditure, what are the checks tending to economy? Speaking generally, it may be said that the only permanent check upon public expenditure arises from the unwillingness of those who have to provide the funds. This check may be direct and absolute as in this country where the money is doled out by the representatives of the taxpayers; or it may be indirect and remote, as in India, where the taxpayers have no voice in the matter of supplies, but where their feelings indirectly influence the Finance Minister, who has to propose and justify the taxation by which the funds are provided. A similar but less personal instinct towards economy may ordinarily be assumed to exist in the Viceroy and the Secretary of State, who are responsible for the general peace and contentment of the Indian taxpayers. Finally there is the House of Commons, which somewhat remotely, on behalf of the British taxpayer, has an interest in economy, on account of contingent liability for the solvency of India. How, according to the evidence recorded, do these influences towards economy now operate in practice, as regards (1) the Viceroy in Council; (2) the Secretary of State in Council; and (3) the House of Commons? And how can they be so strengthened and organised as to constitute an effective control upon expenditure?

30.—(1) *The Viceroy in Council.* Under this heading an important factor (Q. 1856 and 2923) is the great power of the Viceroy as the head of the Government in India. He is in constant confidential communication with the Secretary of State, of whose support he is practically assured; the professional prospects of his colleagues are very much in his hands; and he has the distribution and ordering of the business. If therefore he actively supports the Finance Department in its efforts at economy, that department will prevail; but, if he supports the military or other great spending department, the Financial Department is practically helpless. Unfortunately also (Q. 2957) the decentralisation scheme, which gives to provincial governments charge of internal progress, has weakened the inclination of the Viceroy towards economy by tending to engage his personal interest in foreign, military, and railway matters which involve large expenditure. If the Viceroy is a man trained to public life in England, he will be more fitted to resist the influence of his official surroundings; and if he communicates freely with the non-official members of his Legislative Council, he will be better able to hold the balance among contending interests. But, in any case, it appears that the personal disposition of the Viceroy must always remain both a preponderating and an uncertain factor in determining the financial policy of the government. Next, in importance, comes the Finance Minister, whose professional bias is decidedly in favour of economy. But, as a member of the Viceroy's Council, he is only one of seven, including the Viceroy, and, as all his colleagues are more or less interested in spending departments, he is at all times liable to be out-voted. Also (Q. 2924) within the last ten years, since the establishment of Russian authority in Central Asia his power of control has been radically affected owing to the great preponderance given to military considerations, in consequence of the apprehensions of British officials in India. It must further be admitted that his position as an advocate of sound finance is seriously weakened by the fact that, as Financial Member of Council, he must bring forward in his Budget, and defend, the financial proposals approved by the majority of his colleagues, even although they do not entirely commend themselves to his judgment. He may, therefore, as the mouthpiece of the Government, find himself obliged to controvert arguments in favour of economy brought forward by non-official members, when personally he may be inclined to agree with them. And this point brings us to consider the position of the non-official members of the Viceroy's Legislative Council, who, so far as they represent the Indian taxpayers, may be regarded as a continuous influence tending towards economy. Under the Indian Councils Amendment Act, 1892, the non-official members are

Qq. 17,979–80.

Q. 17,081.

Q. 18,005.

Q. 18,028.

nominated by the Viceroy, partly on the recommendation of certain representative bodies in India, and they have the power of discussing in the Council the provisions of the Budget. But the check thus provided upon expenditure would be exercised with much greater effect and sense of responsibility if, as proposed by the late Mr. Bradlaugh, the non-official members were more directly representative of the Indian taxpayers; if they were empowered to move amendments and take divisions upon the various provisions of the Budget, which should be passed item by item; and if the points raised by them were brought formally under the cognisance of the India Office, and afterwards of Parliament. Qq. 19,156, 2305, 2308, 17,147–9, 18,008, 17,397, 19,134, 19,142, 19,090–1, 19,095.

31. It is true that Lord Cromer, Lord Northbrook, Lord Ripon, Lord Lansdowne, and Lord Roberts, did not support the complaint made by Sir A. Colvin and Sir D. Barbour as to the weakness of the Finance Minister's position. But the value of this objection is largely discounted by the fact that Lords Cromer, Northbrook, and Ripon had no personal experience of the altered condition of things since the Russian advance about 1885; while Lord Lansdowne and Lord Roberts were themselves responsible for developing the frontier policy which caused the weakness of the Finance Minister's position.

32.—(2.) *The Secretary of State for India in Council.*—Sir D. Barbour (Q. 1853–5) states that the Secretary of State is a friend of the Financial Department, that is, of economy; and Sir A. Colvin confirms (Q. 2935–6) this view of the case, except that (Q. 3165–7) he says that the Secretary of State stimulates expenditure on railways. Further Sir D. Barbour desires that the Secretary of State should be a stronger friend to economy than he now is; and Sir A. Colvin (Q. 3123) wishes the financial interests in his Council to be strengthened. How are these objects to be attained? Under the Government of India Act, 1858, the consent of the members of the Secretary of State's Council, commonly called the "Indian Council," is necessary for expenditure; but the value of this check must depend very much upon the personal inclination of these members; and, unfortunately for the cause of economy, the Council is mainly recruited from the official class which has previously represented the spending departments in the Viceroy's Council. Financial interests at the India Office would no doubt be strengthened if at least one seat in the Council were invariably reserved for retired Indian Finance Ministers. But what is wanted in order to keep the question of economy continuously before the India Office is the presence there of some more direct representatives of the Indian taxpayer. It will be remembered that Mr. Disraeli in his original scheme for an Indian Council proposed that four seats should be reserved for members elected by a "Special Indian Constituency." And India has made great progress since then, so that men could easily be found there whose ability and experience would be a source of real strength to the Council of the Secretary of State. Another weak point which requires attention is this, that although a member of the Indian Council can record a dissent, such dissent (Q. 3179) is neither published nor (Q. 2946, 3181–2) communicated officially to the Finance Minister in India. The check, therefore, intended to be imposed upon expenditure does not operate either as regards the Executive in India or as regards the House of Commons, which does not know that such a dissent has been recorded. Indeed, the Government appears to claim the right to withhold all such knowledge from Parliament, for recently in an important matter it refused to place a Minute by a member of the Indian Council upon the Table of the House of Commons. Further, it is complained (Q. 1887–9) that the Finance Minister in India is not in touch with the authorities in England, and that he is very much in the dark as to the policy of the Secretary of State, although he obtains a certain amount of information (Q. 2946–7*a*) by private correspondence with members of the Indian Council. This want of touch involves considerable loss of power; and it seems desirable that there should be some arrangement for systematically combining the action of these various authorities, and focussing their attention, at least once in the year, upon the condition and prospects of Indian finance. Q. 17,988. Q. 17,896. Qq. 17,822, 19,160.

33.—(3.) *The House of Commons.*—Sir H. Fowler's declaration that all the members of the House of Commons were "Members for India" was received with enthusiasm; so we may assume that there exists in Parliament a sense of duty towards the Indian taxpayer. But it must be admitted that the promptitude and rigour with which the House, assisted by a Standing Committee, scrutinises British expenditure for weeks together, contrasts unfavourably with the belated and casual proceedings in the case of India, one evening in the year being grudgingly given to discuss the intricate finances

of the whole Indian Empire. Sir A. Colvin (Q. 3173) points out that this annual debate takes place long after the period to which it refers is closed, at the end of the Session, when everyone is very anxious to get away, in a very thin House, and among persons many or most of whom are neither competent nor careful to weigh the matter they are discussing. This debate never takes place before August. In the Session of 1895, it took place in November, and the accounts dealt with by the resolution of the House were for the year ending March 1894. No preliminary investigation into the accounts is made by any Parliamentary Committee; and under all these circumstances we cannot wonder that the witnesses (Q. 2239–49) agree that for purposes of control this annual debate is practically of no value. As regards British expenditure the Chairman (Q. 1934) has pointed out that the unsparing criticism of the party in opposition is the special force which gives effect to financial discussions. But in the case of India this party criticism is absent, the occupants of the opposition front bench usually limiting themselves in this annual debate to compliments addressed to their successors in office. The duty of criticism is thus thrown upon a few independent members, who, as regards Indian questions, have no constituents behind them, and who have the greatest difficulty, by questions and motions for returns, in extracting the facts and figures necessary to test the validity of the official statements which are naturally of an optimistic kind. How the control of Parliament can thus be rendered nugatory has been strikingly illustrated with reference to section 55 of the Government of India Act, 1858, which requires the consent of both Houses of Parliament for the expenditure of Indian revenues on military expeditions beyond the frontier. The evidence has made it abundantly clear (Qq. 2267-9, 2912, 3260–1) that the chief Indian expenditure needing control is the military expenditure, and especially, within the last ten years, that connected with frontier expeditions. It is, therefore, of the highest importance to know where the frontier is; whether these expeditions have been beyond the frontier; and if so, whether the previous sanction of both Houses has been duly obtained to the expenditure of Indian revenues. Yet, in spite of continuous questioning in the House of Commons, it has been found impossible to extract from the Government of either party any definite information on these important points; the demand for maps showing the frontier, as it stood from time to time, has been refused or evaded; and no answers are forthcoming as to the steps taken legally to incorporate in British India the various frontier territories acquired since the passing of the Act of 1858. Until the salary of the Secretary of State for India is placed upon the estimates, it will continue impossible to compel him to supply the information absolutely necessary to enable the House of Commons to perform its duty to India, and to itself. In the meantime (Qq. 2266, 3191) the question of the legality of this frontier expenditure does not appear to have received the consideration of the Government of India.

Qq. 18,001–2.

Qq. 19,085, 19,090.

34. Such being the existing machinery for the control of Indian expenditure, what practical recommendations can be made by this Commission to cure the defects now brought to light, and to establish a system which will (*a*) strengthen and organise the influences throughout the Indian administration making for sound finance; and (*b*) enable Parliament to exercise effective control as the ultimate authority? In order to make the annual Parliamentary review of Indian finance a reality, it is necessary to give a judicial character to the proceedings. And for this purpose the House of Commons must hear both sides, that of the taxpayer as well as the official; it must have definite issues upon which to pass judgment; and it must give sufficient time and care to the consideration of the facts. At present these conditions are wanting. And to supply the deficiency the following summary of proposals is submitted:

Qq. 19,186, 18,007, 18,767, 17,147.

That each year, as soon as may be after the Budget has been passed at Calcutta, the House of Commons should appoint a Select Committee to enquire into, and report without delay upon the financial condition of India, as shown in the Budget and the accounts of the two previous years;

That the materials for this enquiry should consist *inter alia* of (1) the debates upon the Budget in the Viceroy's Legislative Council and any dissents recorded by members of that Council, (2) a despatch from the Viceroy in Council, including a special report by the Finance Minister, on the financial position, and (3) a financial statement by the Secretary of State in Council, with any dissents recorded by members of that Council;

That, in order to give the Indian taxpayer an opportunity of making his voice heard, the non-official members of the Viceroy's Council should (1) be made more directly representative of the Indian people, and (2) should have the right to

move amendments and divide the Council upon the provisions of the Budget, while (3) a sufficient number of representative Indians of position and experience should be nominated to the Council of the Secretary of State on the recommendation of the elected members of the Viceroy's and Local Legislative Councils.

It is also desirable that there should be at least one Indian in the Executive Council of the Viceroy.

35. In order to maintain the controlling authority of the House of Commons over Indian expenditure, the salary of the Secretary of State for India should be placed upon the British Estimates.

36. In the time of the East India Company a Parliamentary enquiry into the whole administration of India was held every twenty years, before the renewal of the Charter. From these enquiries date the most important reforms for the benefit of India. Also the prospect of such an enquiry tended to check abuses. This old practice should be revived by statute. Q. 19,167, 16,481, 19,185.

37. At present, owing to the frontiers of India being undefined, it is difficult to give effect to the provisions of section 55 of the Government of India Act, 1858, as to expenditure beyond the Indian frontier. The frontiers of India should, therefore, be defined by Parliament, and should not be altered without the authority of Parliament. Q. 18,015.

II.—Progress of Expenditure.

38. We cannot accept as an accurate presentation of the facts the summary review of Progress of Income and Expenditure set out in paras. 95 to 115 of our colleagues' Report. In our opinion not only are the methods of dealing with the accounts adopted in that review faulty, but many of the estimates upon which are founded the conclusions arrived at are unwarranted by the facts. As the figures, estimates, and comparisons contained in paras. 95 to 115 of our colleagues' Report are the foundations upon which are built the detailed observations and the final conclusions of that Report; and as, moreover, from the treatment of these summary figures, which are comparatively easy to trace, may be deduced the treatment of more detailed figures in the body of the Report less easy to trace; we think it desirable in the first instance to set out some of our main objections to this review of Income and Expenditure, and also to give one or two instances of actual error in the treatment of the figures. In this connexion we wish to comment, more particularly on the following matters:—

(i.) The selection of the year 1861–2 as a starting point in the review of Indian Finance.

(ii.) The sense in which "net revenue" has been used.

(iii.) The treatment of Land Revenue.

(iv.) The treatment of Provincial Rates.

(v.) The character of some of the estimates adopted.

(vi.) The want of uniformity in dealing with the figures.

39. The adoption of the year 1861–2 as a starting point for any comparative review of Indian Finance is open to grave objection.

The chief authorities deprecate making comparisons between accounts separated by the year 1875–6. Mr. Stephen Jacob gave evidence as to the impossibility of making a fair comparison of the expenditure of years prior to 1875 owing to different methods of keeping the accounts. Sir Henry Waterfield's statement of accounts put in before the Commission begins with the year 1875–6. And we have been informed by the authorities of the India Office that we cannot rely, for purposes of comparison, upon the figures showing the expenditure of the various departments for years earlier than 1875–6. Questions 4,199–208. Appendix 9, Vol. II., p. 59.

Under these circumstances it would appear to be doubtful whether any value attaches to even a general review of income and expenditure, beginning with 1861–2, in which comparisons are made between that year and years subsequent to 1875–6. Assuming, however, any such general review to be desirable, the review in our colleagues' Report, with its specific determination in percentages of the elasticity of

the net* revenue, of the increase in naval and military expenditure, and in the cost of civil administration, would appear to run counter to the expressed opinions of authorities like Mr. Stephen Jacob and Sir Henry Waterfield.

40. Apart from these larger considerations the financial year 1861–2 was an abnormal year, still under the influence of the Mutiny Budgets. Mr. Laing, in opening the Budget of 1862–3, said: "The circumstances of the last Budget "(*i.e.*, 1861–2) were remarkable." But not only was Indian finance still showing the effects of the great mutiny, but apparently the actual accounts at that period were in a state of extraordinary confusion. During the early months of 1862 Sir Charles Wood, the Secretary of State for India, wrote, on more than one occasion, criticising adversely the estimates and accounts of the Government of India. Under date, London, June 9, 1862, he writes:—

P. P. 354 of 1862, pp. 56, 81–9.

> 7. In endeavouring to obtain from the statements forwarded by you a clear view of the finances of each year, and to satisfy myself as to the accuracy of the conclusions at which you have arrived, and the expediency of the measures which you have adopted, I have experienced much inconvenience from the changes which have been made in the general headings of the statements and estimates of revenues and charges.
>
> 11. I must call your attention to the great want of care which is apparent in these statements.
>
> 26. I proceed now to the consideration of the estimates for the year 1861–2.
>
> 29. There are, however, items of expenditure omitted, which I consider it necessary to add, and the addition of which will, I am sorry to say, materially alter the financial result of the year, as shown in both the Budget and Regular (*i.e.*, Revised) estimates received from your Government.
>
> 54. I have now to refer to the course which your Government has pursued in these two years (1861–2 and 1862–3), acting on the erroneous views of the finances stated by Mr. Laing.

It would appear from the correspondence that some of the accounts and estimates appearing in Parliamentary Paper No. 354 of 1862 were not accepted as correct at the time by the highest authorities in the Government of India, the Secretary of State and his advisers at the India Office. Yet it is precisely from these discredited accounts and estimates that the quotation in para. 96 of our colleagues' Report is taken.

41. We have reason to know that the accounts of 1861–2 and other years were subsequently re-cast and printed in a book known at the India Office as the Green Book. But neither with these figures, nor with those in the accounts of the Government of India at the time, nor with any published accounts in our knowledge, do many of the figures given in our colleagues' Report relating to 1861–2 agree. We would also observe that the Commission has had no opportunity, sitting as a body to receive evidence, of testing the accuracy or the appropriateness of the figures relating to 1861–2 incorporated in the report. They were not in evidence, and we have no official knowledge of their source. The present system of keeping the Indian accounts dates from 1884–5; but an appendix to the Financial Statement for 1886–87 gives the figures for the years 1875-6 to 1884-5 re-cast in the present form. These figures, we submit, are the only safe basis for a review of Indian Income and Expenditure during these years, and by reason of the fact that the re-casting of the accounts in their present form has never been carried back beyond 1875-6, preclude profitable comparisons with previous years.

Financial Statement 1886–87, Parliamentary Paper 172 of 1886, p. 5, and App. III.

42. The use of the term "net revenue" to mean revenue less cost of collection, as is done in our colleagues' Report, is open to serious objection. Net revenue properly

* Arrived at after deducting from the revenue charges for collection, contrary to the accepted practice of modern authorities.

means, as accepted by the best authorities to-day (*vide* Sir H. Fowler's Returns for England and India, and recent Statistical Abstracts), all money taken from the taxpayers, or acquired by the Government in commercial undertakings, or received in the way of interest on investments, after deducting the amount actually returned to the taxpayer,—*e.g.*, in drawbacks or refunds,—the working expenses and interest on capital involved in the commercial enterprises of the Government, and certain cognate sets-off under the head of interest on money temporarily borrowed. The cost of collecting the revenue includes a large part of the salaries of Government officers, and such expenditure should not thus be withdrawn from a general purview of an increase in expenditure.

Thus, according to the figures adopted in the Report, the charges for collecting the revenue were as follows for the years 1861–2 and 1895–6:— Para. 105. Para. 130.

	Rx.
1861–2 - - - -	5,857,000
1895–6 - - -	10,351,000
Increase - -	4,494,000

Obviously such additional cost of collection, if treated as a set-off to revenue raised, conceals the true rate of increase in the revenue between the two periods, and would bring about an actual understatement of the increase in the revenue during a given period.

There are other serious objections to deducting the so-called cost of collecting the revenue in order to ascertain the so-called net revenue.

1. The allocation of the charges between cost of collecting the revenue and civil administration has varied from time to time.

2. The amounts charged to collection of revenue are not regarded as correct by some authorities. Note Mr. Jacob's views referred to in para. 133 of the report. Compare also para. 137 of Report at p. 52.

3. These charges do "not include the furlough and the non-effective charges of the revenue service." They are, therefore, incomplete in themselves, and do not represent accurately what they profess to be. Para. 132 of Report, p. 49.

43. One of the principal deductions founded on the Review of Indian Income and Expenditure in paragraphs 95–115 of our colleagues' Report appears to be that the Indian revenue is a strikingly elastic revenue. In this connexion we must enter a protest against the assumption, made throughout the investigation of this alleged elasticity, that the opium revenue is tax revenue, although it is in no sense a burden on the people of India, and that the whole of the increase in the land revenue is evidence of this elasticity, whereas it is largely due to the enhancement of assessments at the periodic revision of land settlements.

Thus with regard to opium it should be noted in para. 105 of our colleagues' Report that in arriving at the estimate of Rx. 8,089,000 as representing elasticity of revenue during twenty-three years, "opium" has been wrongly treated as taxation. Consequently, this total includes nearly Rx. 1,600,000, or some twenty per cent. of the whole, having no relation to elasticity of tax revenue, which is the objective of the investigation at this point.

	Net Opium Revenue. Rx.
(Green Book) 1861–2 - - - -	4,898,505
Average 1883–84 and 1884–5 - - - -	6,470,000
Increase -	1,572,495

44. With regard to the increase in the land revenue there are one or two very striking facts which appear to call for consideration. It is not contended that these facts inevitably point one way, but it is suggested that they throw the burden of proof on those who assert that the large increase of land revenue in recent years is not an increase of taxation.

Reviewing, as far as the figures published in successive Statistical Abstracts will allow, the period 1875–6—1895–6, taking 1885–6 as an intermediate point, the following facts appear to be relevant to the question at issue: —

Stat. Abst.

	Rx.
Land Revenue (gross) 1875–6	21,540,000
" " " 1885–6	22,590,000
" " " 1895–6	26,200,000
Increase 1875–85	Rx. 1,050,000 or 5 %
Increase 1885–95	Rx. 3,610,000
Deduct for Upper Burma	750,000
Corrected Increase 1885–95	Rx. 2,860,000 or 13 %

F. S. 1897, p. 41 (P. P., No. 193).

Here, then, is a remarkable difference between the rate of increase in the two periods. It should be noted that so far as the receipts from land tax are an indication, India had recovered from the great famine of 1877 by the end of the financial year 1878–9. The varying rate of increase happens to coincide with a varying prosperity in the finances of the Government of India; a remarkable feature of this variation being that when the general finances were most prosperous the increase from land revenue was less, and when the general financial situation gave cause for grave anxiety, the increase from land revenue was much more. The former period was one of "financial prosperity" "happy in reduction of taxation"; the latter period was one of financial disturbance, "marked by increase of taxation." In the one case Government was remitting taxes, in the other case Government was casting about for fresh sources of revenue. Would not this state of things influence the policy of land assessment at settlement revisions?

Stat. Abst.

Para. 101 of Report, p. 33.

45. Another remarkable contrast is afforded by a comparison between the relation of increase of area actually cropped to increase of land revenue. Statistics before 1885–86 are not available, and even for that year the figures for Bengal and Ajmere (these latter quite unimportant) are wanting. The area actually cropped in British India (excluding Bengal, Upper Burma, and Ajmere) in 1885–86 and 1895–96 respectively, was as follows :—

Stat. Abst. 1887, p. 53.
Stat. Abst. 1897, p. 140.

	Acres.
1885–6	128,250,000
1895–6	132,500,000
Increase in area actually cropped	4,250,000 or $3\frac{1}{3}$ %

For the same years the gross land revenue for British India (excluding Bengal and Upper Burma) was as follows:—

Stat. Abst. 1897, p. 93, and F. S. 1897, p. 41.

	Rx.
1885–6	18,750,000
1895–6	21,550,000
Increase in revenue	2,800,000 or 15 %

There are complications of irrigation, current fallows, and double cropping which may to some extent account for the apparent repugnance between the two percentages, but *primâ facie* the figures suggest that the increase of 15 per cent. in the land revenue should be apportioned as to $3\frac{1}{3}$ per cent. to increased cultivation and as to $11\frac{2}{3}$ per cent. to enhanced rates of assessment, *i.e.*, to increased taxation.

46. There remains the most suggestive contrast of all: and that is the contrast between the rate of increase in the land revenue of Bengal (where the permanent settlement prevails) and that for the rest of India (excluding Upper Burma) which is subject to periodic revisions of land assessments.

Land Revenue (Gross).

BENGAL.

1875–76.	1885–86.	1895–96.		
Rx. 3,788,000	Rx. 3,856,000	Rx. 3,905,000		Stat. Abst.
			%	
Increase 1st 10 years - - - -		68,000	1·8	
„ 2nd „ - - -		49,000	1·3	
Increase 20 years - - - -		117,000	3·1	

BRITISH INDIA.

(Excluding Bengal and Upper Burma.)

1875–76.	1885–86.	1895–96.		
Rx. 17,750,000	Rx. 18,750,000	Rx. 21,550,000		Stat. Abst.
		Rx.	%	
Increase 1st 10 years - - -		1,000,000	5·6	
„ 2nd „ - - -		2,800,000	15·0	
Increase 20 years - - - -		3,800,000	21·5	

It is suggested that the facts indicated by these three contrasts call for careful examination; and that until they have been examined and explained estimates of revenue elasticity based *inter alia* upon the classification of all increase in land revenue as increase not due to an increase of taxation, have but small statistical value.

47. It is not quite clear upon what grounds a distinction is drawn between new taxation in the form of "Provincial Rates" and any other form of new taxation. No evidence has been adduced before us to show that these Provincial Rates were ear-marked to meet a special new expenditure, and reserved for that purpose alone. Their allocation to Provincial Governments was only part of a general scheme of partial financial devolution. In the form in which the accounts are kept to-day there is no special head of expenditure corresponding with this special head of revenue. In fact, Provincial Rates would appear to be one of the principal sources of revenue raised towards meeting the general expenditure. Increase of expenditure is generally due to policy of some kind, but no reasons appear to be adduced why the special policy of developing provincial finance, in so far as it led to increased expenditure, and, as a consequence, to increased taxation, should be removed from a general survey of the financial situation. It is obvious that if we include "Provincial Rates" the taxation of 1883–4 and 1884–5 was heavier than that of 1861–2; and it would follow that it would no longer be correct to state as is done in para. 102 of our colleagues' Report, that— Para. 102 of Report.

> the burthen of taxation . . . . at the close of the period [1861–1884] did not greatly differ from that which prevailed before the Crown undertook direct responsibility for the government of the Indian Empire. Report, p. 33.

This distinction is also drawn in para. 109 at p. 39 of our colleagues' Report, and to that extent helps to vitiate the conclusions there arrived at.

48. So far we have indicated our objections to the review of Indian Finance contained in paras. 95–115 of the Report on general grounds. We have, however, other and more specific criticisms to pass upon the manner in which the figures have been dealt with. We venture to give one or two illustrations taken from this part of our colleagues' Report.

49. In para. 103 (pp. 34 and 35) it is estimated that in 1882 the salt duty was reduced as nearly as circumstances permitted to the level of the duty before the Mutiny. At the top of page 36 the amount of remission of taxation under the head of salt in 1884–5, as compared with 1861–2, is estimated at Rx. 1,400,000, which was the estimated loss to the revenue made by Sir E. Baring in 1882, with reference to his reduction of the duties prevailing in 1881 and had no reference so far as we

can gather from contemporary documents, to a reduction of the salt duties as from 1861–2. Now this estimate of Sir E. Baring's may, of course, be accepted, so long as it is used in the sense in which Sir E. Baring meant it to be used. A reference to the "Moral and Material Progress, &c., of India, 1882–83," p. 157, will show clearly to what Sir E. Baring's estimate refers. A table there shows the rates of salt duty prevailing in 1881–2 (the year before Sir E. Baring's reduction of the duty) and that in 1882–3 (when the reduction came into effect). From this it will be seen that the reduction of 1882–3 in Northern India, Madras, and Bombay (consuming over 60 per cent. of the salt taxed in India) was from 5*s.* = 2½ Rs. = 40 annas to 32 annas and in Bengal (consuming over 30 per cent. of the total salt) from 5*s.* 8*d.* = 45 annas to 32 annas. These were very different rates to those prevailing in 1861-2 as given in a footnote to page 64 of the Report.

. P. 289 of 385, p. 157.

The following table will show clearly the magnitude of the miscalculations involved.

RATES OF SALT DUTY PER MAUND.

—	1861–2. The Basis of Comparison in the Report.	1881–2. The Basis of Sir E. Baring's Estimate of Reduction.
	Annas.	Annas.
Bengal	52	45
Bombay	20	40
Madras	20	40
N.W.P.	48	40
Oudh	48	
Punjab	48	

'ee P. P. 39 of 1885, . 157, and eport, . 34, foot-ote.

Obviously an estimate based on a reduction from rates ranging from 40 to 45 annas is not applicable to a change from rates ranging from 20 to 52 annas.

at. Abst.

50. So far as a comparison between the rate of Salt Duty before the Mutiny and that prevailing in 1884–5 is implied, we venture to point out that the consumption of salt in Madras and Bombay combined being a constant of about 35 per cent. more than in Bengal (although the population of the latter is greater), it would follow that an increase of duty of about 150 per cent. (from an average of 13 annas—the rate in Madras and Bombay in 1858—to 32 annas) on the larger consumption, must very considerably "overbalance" the reduction of duty by 20 per cent. (from 40 annas—the rate in Bengal in 1858—to 32 annas) on the smaller consumption. We submit, therefore, that there is no warrant for the conclusion reached in our colleagues' Report (p. 34) that the Salt Duty in 1882 was "reduced . . . . . as nearly as circumstances permitted to the level of the duty before the Mutiny."

51. It would be beyond our province here to criticise in detail the various estimates contained in this part of our colleagues' Report, but we would briefly refer to two other instances in which, we submit, the best available data have not been used in arriving at the figures given in the general review of income and expenditure. These, with the illustrations quoted above (paras. 49 and 50), will serve to explain why we cannot accept those estimates in whole or in part. These two instances we take from the review of the period 1884–5 to 1895–6, and relate to salt and Customs.

52. With regard to salt, in para. 108 of our colleagues' Report at p. 38, the increase due to the increase in the duty in 1895–6 as compared with 1884–5 is estimated at Rx. 1,500,000, on undisclosed data. Now, we submit that it is possible to form a more accurate estimate by taking into account the different amounts consumed and rates of duty levied in the two years in question. The sum is a simple one. The rates of duty before and after January 19, 1888, were respectively:—

	Salt Tax per maund.	
	Jan. 19, 1888.	Since. Jan. 19, 1888.
India	Rs. 2	Rs. 2·8
Burma	As. 3	Re. 1

P. S. 1888–89, para. 57.

The consumption of salt in 1895–96 was:

	Maunds.	
India - - - - - -	33,443,000	Stat. Abst., 1899 [C. 9519], p. 103.
Burma - - - - - -	1,744,000	
Total - - -	35,187,000	

This consumption at the different rates would produce:—

(1) In India.	Rx.
At Rs. 2 - - - -	6,688,600
At Rs. 2·8 an increase of 25 per cent. or	Rx. 1,672,150

(2) In Burma.	Rx.
At As. 3 - -	32,700
At Rupee 1 - - -	174,000
Increase - - -	Rx. 141,300

Therefore the total increased product of taxation in 1895–6 due to the enhancement of the duty on January 19, 1888, may be estimated thus:—

	Rx.
In India - - - - - -	1,672,000
In Burma - - - - - -	141,000
Total - - -	1,813,000

A far higher figure than that—Rx. 1,500,000—shown in the Report.

53. With regard to Customs, on p. 37 of our colleagues' Report the increase from the petroleum duties is estimated at Rx. 300,000. Now, no duty was levied on petroleum in 1883–4 and 1884–5, whereas in 1895–6 the produce of the petroleum duty amounted to Rx. 408,620. Consequently, none of this Rx. 400,000 can be said to be due to elasticity of tax revenue as compared with the earlier years, because in this particular there was no revenue to expand. Therefore, it would seem that the estimate of Rx. 300,000 given in the report is not in correspondence with ascertainable fact. Stat. Abst., 1886 [C. 4730], p. 140. Stat. Abst., 1897 [C. 8659], p. 236.

With regard to the general tariff also we submit that a far surer estimate than that given in our colleagues' Report can be made by careful reference to official publications, among which we venture to indicate Statistical Abstract for India, 1886 [C. 4,730] pp. 71, 119, and 140, and Statistical Abstract for India, 1897 [C. 8,659] pp. 102, 236, and 300–14. For instance, it will be found that the increase due to the cotton duties must be taken at Rx. 1,183,000, and not Rx. 1,000,000.

54. There remains our sixth head of objection to the review of Indian finance contained in our colleagues' Report, paras. 95–115, namely, the want of uniformity in dealing with the figures. We give one or two instances, which we do not pretend are exhaustive.

Income Tax and Licence Duties.—In para. 105 of the Report, p. 36, income tax and licence duties are carefully distinguished, and are not set off one against the other; in para. 108, at p. 37, they are set off one against the other.

Increases and Remissions of Taxation.—In para. 104, at top of p. 36, the net remission of taxation is stated; in the next paragraph, in the course of a series of intricate comparisons, this net figure is discarded.

The two Periods 1861–2 *to* 1884–5 *and* 1884–5 *to* 1895–6.—In the first of these periods the increase in excise and stamp duties is withdrawn from the calculations in para. 105. In the second period, para. 108, at p. 38, the increase in excise is brought directly to account. While in the final summary the position of stamps seems dubious in the extreme.

Different Methods of Estimating.—As a salient instance of this, compare the method of estimating the produce of customs duties on p. 37 by reference to an estimate at the time of their imposition, with the method of estimating the produce of the income tax higher upon the same page by reference to its actual produce at the period

selected for comparison. This latter method, we submit, is right and the former wrong, though it is the former that is more frequently employed throughout these estimates.

55. For the above and other reasons we have found ourselves unable to accept the figures contained in paras. 95–115 of our colleagues' Report. Moreover, we regard ourselves precluded by the terms of reference, and by the absence of any evidence taken before us in this regard, from examining and drawing inferences from the progress of Indian revenue during recent years. We now proceed to submit a general review of Indian expenditure for such period and upon such lines as, in our opinion, can alone be profitably made.

56. The period 1875–6 to 1895–6 (which is the period to which the evidence of the witnesses heard by the Commission, both official and unofficial, was directed) naturally divides itself into two nearly equal portions, namely that from 1875–6 to 1884–5, and that from 1884–5 to 1895–6. The middle year 1885–6 is not suitable as a point of comparison because it was the first of a series disturbed by frontier expeditions, and was in particular rendered abnormal by military preparations on the North-West frontier and by the invasion of Upper Burma. In 1884–5 income and expenditure were practically equal, there being a small deficit of Rx. 386,000 following a large surplus in 1883–4 of Rx. 1,879,000.

The actual figures in Table I. are taken from the following sources:—

For the year 1875–6—from Appendix III. of the Financial Statement, 1886–7, Parliamentary Paper 172 of 1886, pp. 79 and 85. These figures have been dealt with in the same manner as those for 1895–6 in Parliamentary Paper 102 of 1898 (Return of the Net Income and Expenditure of British India). The only point to note is that the Miscellaneous Civil Charges in that year include a net charge of Rx. 237,666 under certain miscellaneous heads, which in 1884–5 and 1895–6 do not appear on the expenditure side of the account as the receipts under cognate heads exceeded the outgoings.

For the year 1884–5—from the Return of the Net Income and Expenditure of British India issued in 1895 (P.P., No. 319, of 1895, pp. 10 and 12).

For the year 1895–6—from the Return of the Net Income and Expenditure of British India issued in 1898 (P.P., No. 102 of 1898, pp. 15 and 17).

The only divergence from the exact form of Sir Henry Fowler's Return is in the order of the main heads of expenditure and in the arrangement of "Famine Relief and Insurance," and "Railway Construction," under a separate head "Special Services" (following a convenient practice in a similar return of net income and expenditure for the United Kingdom), instead of classing these very fluctuating items with Civil Services.

TABLE I.

NET EXPENDITURE OF THE GOVERNMENT OF INDIA.

—	1875–6.		1884–5.		1895–6.	
	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.
I. COLLECTION OF REVENUE:						
Land and Forest -	3,371,446		4,024,784		5,008,278	
Taxes - - -	1,083,132		1,073,353		1,419,270	
		4,454,578		5,116,137		6,427,528
II. CIVIL SERVICES:						
Departments - -	9,037,136		10,370,023		13,488,338	
Miscellaneous charges	3,088,207		3,655,039		5,242,182	
Buildings and roads -	2,838,837		3,484,948		3,940,441	
Provincial adjustment	— 434,681		— 288,944		+ 379,109	
		14,529,499		17,221,066		23,050,070
III. MILITARY SERVICES:						
Army - - -	14,644,520		16,148,633		24,420,146	
Military works -	1,321,260		909,232		1,156,239	
Special defence -	—		—		101,349	
		15,965,780		17,057,865		25,677,734

NET EXPENTITURE OF THE GOVERNMENT OF INDIA—*continued.*

—	1875-6.		1884-5.		1895-6.	
	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.
IV. DEBT SERVICES - -	—	4,246,734	—	3,907,848	—	3,219,747
V. COMMERCIAL SERVICES:						
Post and telegraphs -	336,625		441,207		— 257,784	
Railways - -	1,558,760		1,051,751		1,620,268	
Irrigation - -	1,147,068		573,017		676,358	
		3,042,453		2,065,975		2,038,842
VI. SPECIAL SERVICES:						
Famine relief and insurance.	602,030		1,548,357		586,485	
Railway construction	29,680		263,501		7,661	
		631,710		1,811,858		594,146
TOTAL - -		Rx.42,870,754		Rx.47,180,749		Rx.61,008,087

57. Table II. shows the increase or decrease in the principal heads of expenditure for the different periods shown in Table I.

TABLE II.

INCREASE (+) OR DECREASE (—) IN NET EXPENDITURE OF THE GOVERNMENT OF INDIA.

—	1875-6 to 1884-5.	1884-5 to 1895-6.	1875-6 to 1895-6.
	Rx.	Rx.	Rx.
I. Collection of revenue - -	+661,559	+1,311,411	+1,972,970
II. Civil Services - -	+2,691,567	+5,829,004	+8,520,571
III. Military Services - -	+1,092,085	+8,619,869	+9,711,954
IV. Debt Services - -	—338,886	—688,101	—1,026,987
V. Commercial Services - -	—976,478	—27,133	—1,003,611
VI. Special Services - - -	+1,180,148	—1,217,712	—37,564
	+4,309,995	+13,827,338	+18,137,333

58. To this Table we think it advisable to add the figures for 1898–9, the closed accounts of which have recently reached England. The figures here given are taken for the most part from the Finance and Revenue Accounts of the Government of India for 1898–9 published in Calcutta in January, 1900—and in a few cases of special detail from other specified sources.

59. To stop the consideration of Indian finance at the year 1895–6 in a Report dated 1900 besides being out of date is open to the very serious objection that since 1895–6 the great rise in exchange has entirely changed the prospects of Indian Government finance since that year. Consequently to draw conclusions based on the figures of 1895–6 is to deal with unrealities.

How great is the effect produced by the rise in exchange since 1895–6 is disclosed by the following figures taken from the Explanatory Memorandum of the Secretary of State for 1899 at page 17 :—

	Exchange.
	Rx.
Total net charge 1895-6 - - - -	13,990,900
„ (Rev. Est.) 1898-9 - - -	9,253,600
Saving to Government of India -	Rx. 4,737,300

For 1899–1900 exchange promises to be even better, the average rate being slightly above the 16*d.* at which it was taken for last year. It is probable that from this cause the saving to the Government of India as compared with 1895–6 is now about Rx. 5,000,000 a year.

Fall in exchange is certainly one of the marked characteristics of the period 1884–5 to 1895–6. That fall induced a net additional charge on the Government of India of Rx. 10,455,000. But if the period be brought up to date by taking the years 1884–5 to 1898–9, the net additional charge becomes Rx. 5,717,700 (Rx. 10,455,000—Rx. 4,737,300), or little more than half this amount.

It would follow that a consideration of this fact must materially affect any inferences to be drawn from the figures for increase of exchange given in paras. 115 and 116 of our colleagues' Report. We venture to submit that those figures have little practical value as an indication of the present condition of Indian finance, and that, therefore, they are apt to be misleading if left to stand alone.

60. The following Table shows in abstract form the net expenditure of the Government of India for 1898–9, compared with that in 1884–5:—

TABLE III.

NET EXPENDITURE OF THE GOVERNMENT of INDIA.

——	1884–5.	1898–9.	Increase (+) or Decrease (−).
	Rx.	Rx.	Rx.
I.—Collection Revenue - - -	5,116,137	6,453,762	+ 1,337,625
II.—Civil Services - - -	17,221,066	24,600,533	+ 7,379,467
III.—Military Services - - - -	17,057,865	24,245,036	+ 7,187,171
IV.—Debt Services - - -	3,907,848	1,972,509	− 1,935,339
V.—Commercial Services - - -	2,065,975	427,975.	− 1,638,000
VI.—Special Services - - -	1,811,858	1,188,767	− 623,091
Total - - -	47,180,749	58,888,582	+11,707,833

Military Expenditure.

61. The most striking fact in these tables is the increase in the expenditure on the Army in the period 1884–5 to 1895–6. Not only does the increase of more than Rx. 8,500,000 during those 11 years far exceed the increase under any other head of expenditure, but it affords in itself a sharp contrast with the increase of Army expenditure during the period from 1875–6—1884–5. The remarkable nature of this contrast may be set out as follows:—

INCREASE IN INDIAN MILITARY EXPENDITURE.

	Rx.	
From 1875–6 to 1884–5 - -	1,092,085	or 7·5 per cent.
„ 1884–5 „ 1895–6 - -	8,619,869	„ 60·5 „

62. These figures, however, are affected by the fall in exchange, especially for the years 1884–5 to 1895–6. The following figures show the progress of the net Military expenditure of the Government of India from 1875–6 to 1898–9, distinguishing the net cost of exchange in any form, whether on the remittance of the

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Home Charges, or the sterling pay of the British troops, or on Exchange Compensation Allowance.

NET MILITARY EXPENDITURE OF THE GOVERNMENT OF INDIA.

	1875–6.	1884–5.	1895–6.	1898–9.
	Rx.	Rx.	Rx.	Rx.
Total Net Charges - - -	15,965,780	17,057,865	25,677,734	24,245,036
*Deduct Net Exchange - -	381,672	1,134,829	4,890,998	3,170,286
Net Cost (excluding Exchange) -	15,584,108	15,923,036	20,786,736	21,074,750

* The following are the detailed figures for Exchange connected with the Military Services (see official accounts for the years stated):—

	Rx.
1875–6—Expenditure - - - -	393,437
Deduct Receipts - -	— 11,765
Net Charge - - -	381,672
1884–5—Expenditure - - - -	966,984
Deduct Receipts - -	— 16,455
Add sterling pay of troops -	+184,300
Net Charge - - -	1,134,829

	Rx.
1895–6—Expenditure - - - -	3,200,145
Deduct Receipts - -	— 57,216
Add sterling pay of troops -	+1,156,400
„ Exchange Compensation -	+591,669
Net Charge - - -	4,890,998
1898–9—Expenditure - - - -	2,206,578
Deduct Receipts - -	— 28,682
Add sterling pay of troops -	+778,400
„ Exchange Compensation -	+213,990
Net Charge - - -	3,170,286

Increase (Exchange excluded) -		Rx.	
	1875–6 to 1884–5 -	338,928	or 2·2 per cent.
	1884–5 „ 1895–6 -	4,863,700	„ 30·6 „
	1884–5 „ 1898–9 -	5,151,714	„ 32·4 „
	1875–6 „ 1898–9 -	5,490,642	„ 35·2 „

63. It is obvious that the change from an increase of a little over two per cent. in nine years to one of over 30 per cent. in 11 years, or of 32½ per cent. in 14 years, represents something more than the normal increase of expenditure due to the progress of Government. An examination of the facts leaves no doubt as to the cause of this great increase. The evidence does not point to wastefulness as an important cause of increase. The essential cause was policy. We are precluded from discussing that policy on the merits, but it seems necessary to trace how the growth of expenditure has depended upon the view taken of the needs of external defence. Sir Auckland Colvin has indicated the year 1885 as the time when a definite change took place in the frontier policy of the Government of India. That year saw the close of the Viceroyalty of Lord Ripon, and the beginning of a period when great preponderance was given to military considerations and when the idea of "greater military preparedness" on the North West Frontier dominated the financial policy of the Government of India. The change was at once followed by an increase of 10,000 European and 20,000 Native troops, necessitating an annual increase of about Rx. 1,600,000 in the expenditure of the country. The increase was effected in spite of an earnest protest on the part of the Finance Minister and another member of the Viceroy's Executive Council, and in disregard of the Report of the Army Commission, which a short time previously declared that the then existing strength of the Army was quite adequate to the military needs of the country, including "the contingency of operations beyond the frontier not merely against Russia with "Afghanistan as our ally, but against Russia assisted by Afghanistan." It was pointed out by the dissenting members at the time that the increased strength would probably lead to aggressive enterprises; and the anticipation was almost immediately verified. A few months after the increase had been sanctioned by the Secretary of State, Upper Burma was invaded, conquered, and annexed to the Indian Empire, in spite of protests of Indian public opinion, which feared that the annexation would be financially harmful to India. That this fear was well founded is shown by the fact that during the 11 years 1885–6 to 1895–6 the Government of India spent a net amount of nearly Rx. 15,000,000 in the new Province on account of special military expenditure and civil administration; and even now the annual charge may be estimated at Rx. 750,000. The following figures taken from an annual table (now

discontinued) published in the explanatory memorandum of the Secretary of State for India for the years 1888–96, give the official estimate of this expenditure.

Table IV.

Military Expenditure in Upper Burma, 1885–6—1895–6.

Year.	Army.	Military Works.	Total.
	Rx.	Rx.	Rx.
1885–6	631,000	—	631,000
1886–7	1,517,800	73,900	1,591,700
1887–8	1,475,300	314,300	1,789,600
1888–9	631,600	160,400	792,000
1889–90	435,800	139,800	575,600
1890–1	350,300	137,900	488,200
1891–2	529,200	123,100	652,300
1892–3	502,500	132,500	635,000
1893–4	458,200	145,148	603,348
1894–5	374,100	84,502	458,608
*1895–6	362,500	75,800	438,300
Total	7,268,300	1,387,350	8,655,650

* Revised Estimate.

Total Net Cost of Upper Burma, 1885–6—1895–6.

	Rx.
1885–6	631,000
1886–7	2,068,700
1887–8	2,618,300
1888–9	1,682,800
1889–90	1,331,000
1890–1	1,085,300
1891–2	1,361,100
1892–3	1,176,100
1893–4	1,082,846
1894–5	759,875
*1895–6	782,500
Total	14,579,521

64. A programme of Frontier Defence Works costing to the end of 1895–6 Rx. 4,610,063 was next taken in hand, and has now been completed at a final cost of nearly Rx. 5,000,000. The construction of military railways upon the North West Frontier (the annual working of which does not cover expenses, apart from any question of interest on the capital expended) has been pushed on since 1884–5. Up to the end of 1883–4 about Rx. 4,000,000 had been spent upon these unreproductive undertakings chiefly in connexion with the Afghan war in the two years 1879–80 and 1880–1. See Table at page iv of Report of Select Committee on Indian Railway Communication. Up to the end of 1895–6 the total expenditure on Military Railways was Rx. 15,305,000. See Administration Report of Railways in India for 1896–7. This gives an expenditure upon this item of military preparedness of over Rx. 11,000,000 during the eleven years 1885–6—1895–6. Frontier expeditions which had been rare before 1885 became frequent, entailing (with camps of exercise, mobilizations, &c.) a total expenditure of Rx. 7,360,000 during the eleven years 1885–6 to 1895–6. The following figures show the expenditure on "Smaller expeditions and field operations" (excluding the Afghan war, the Egyptian expedition, and Upper Burma) for the 21 years 1875–6 to 1895–6.

* Revised estimate.

TABLE V.

MILITARY EXPENDITURE—SMALLER EXPEDITIONS AND FIELD OPERATIONS.

(*i.*) 1875–6 to 1884–5.

	Rx.
1875–6	2,643
1876–7—1883–4	Nil
1884–5	161,537
Total (10 years)	164,180

(*ii.*) 1885–6 to 1895–6.

	Rx.
1885–6	2,300,303
1886–7	Nil
1887–8	18,319
1888–9	380,116
1889–90	636,732
1890–1	407,416
1891–2	959,055
1892–3	257,300
1893–4 :	
Kachin, &c.	273,650
1894–5 :	
Waziristan, &c.	242,500
Chitral	67,200
1895–6 :	
Waziristan, &c.	168,900
Chitral	1,647,500
Total (11 years)	7,359,031

Again the contrast is striking. Rx. 164,180 in the 10 years 1875–6 to 1884–5 against Rx. 7,359,031 in the 11 years 1885–6 to 1895–6. Closely connected with this direct increase of expenditure involved in a policy of "greater military preparedness" is the expenditure incurred for the Beluchistan Agency, the re-establishment of the Gilgit Agency, and similar missions—together with a rapid increase in civil charges under the head "political."

65. Summing up these various items of increased expenditure following the new departure in the Government's policy since 1884–5, the additional burden upon the Indian Exchequer imposed thereby may be stated thus for the period 1885–6 to 1895–6.

TABLE VI.

SPECIAL MILITARY EXPENDITURE OF THE GOVERNMENT OF INDIA,

1885–6 to 1895–6.

	Rx.
Addition to the Army, 10 years, 1886–7 to 1895–6	16,000,000
Military Charges in Upper Burma	8,655,650
Special Defence Works	4,610,063
Military Railways, 1885–6—1895–6	11,000,000
Frontier Expeditions and Field Operations	7,360,000
	47,625,713

If to this sum be added only a small portion of the charges for increased subsidies to frontier tribes, the cost of the half-military and half-political missions and other incidental expenses, Rx. 50,000,000 will represent a very moderate estimate of the charge thrown upon the Indian Exchequer in the period 1885–6 to 1895–6 on special military account. See the table put in by Mr. Gokhale when giving evidence before the Commission. It should further be noted that this fifty millions does not represent an increase under certain specific heads of expenditure existing before 1884–5, but a new additional burden thrown upon India by a new policy of military preparedness which is in addition to and not in substitution for the ordinary military expenditure of Government.

66. To sum up, these facts prove that the great progress of military expenditure since 1885 was the direct consequence of the policy of "greater military preparedness," which led to expeditions and annexations beyond the frontier of India. As regards the wisdom or unwisdom of that policy this Commission is not called upon to express an opinion, being concerned only with the financial facts of the situation. But it may be pointed out that a return to the policy of Lord Lawrence and Lord Ripon would remove the cause for the increased military expenditure, and justify a return to the scale of expenditure considered safe and sufficient by the Simla Army Commission.

Exchange.

67. During the period under review Indian finance was seriously disturbed by the decline in the exchange value of the rupee. The extent of that disturbance may be gauged by the following table:—

TABLE VII.

NET COST OF EXCHANGE.

—	1875–6.	1884–5.	1895–6.
	Rx.	Rx.	Rx.
On sterling expenditure	1,377,400	3,364,000	11,685,200
On remittance transactions	57,100	—12,400	—178,300
Sterling pay of troops	—	184,300	1,156,400
Exchange compensation	—	—	1,327,600
Total net charge	1,434,500	3,535,900	13,990,900

Increase.

	Rx.
1875–6 to 1884–5	2,101,400
1884–5 „ 1895–6	10,455,000
1875–6 „ 1895–6	12,556,400

68. The enormous increase in this charge constitutes a very heavy burden upon the finances of India during the eleven years 1885–6 to 1895–6. But the incidence of that burden being distributed over nearly the whole field of expenditure is far more complex than that under any one of the principal heads of account. The first point to note is that during recent years the burden has been very sensibly relieved, so far as the financial* department of the Government of India is concerned. Compared with 1895–6 the figures for the Revised Estimates of 1898–9, which do not differ

* It is only the financial department of the Government of India that is relieved; not the Indian taxpayer. On the contrary, by recent currency legislation, the taxpayer, having to pay taxes and debts in the inflated rupee, is subjected to a new and heavy burden. The relief to the Government has been obtained by covert taxation of the people. This should be borne in mind when credit is claimed for the recuperation of Indian finance.

appreciably from the closed accounts, show a reduction in the net charge of no less than Rx. 4,737,300, as under :—

NET COST OF EXCHANGE.

—	1895–6.	1898–9.	Decrease.
	Rx.	Rx.	Rx.
On sterling expenditure - - - -	11,685,200	8,045,600	3,639,600
On remittance transactions - - - -	—178,300	—54,000	+124,300
Sterling pay of troops - - - -	1,156,400	778,400	378,000
Exchange compensation - - - -	1,327,600	483,600	840,000
Total net charge - - -	13,990,900	9,253,600	4,737,300

69. An important consideration with regard to exchange under ordinary circumstances is that it constitutes expenditure which is largely outside the control of the Government of India. It is, however, not all of it of this unadvoidable character, and it will be convenient to distinguish between that portion of the charge for exchange which may be called "automatic," and that portion which, like any other increase of expenditure, has been voluntarily incurred by Government during the period under review. In reviewing progress of expenditure it is essential to avoid making the assumption that the whole increase in the cost of exchange may be set on one side as the result of causes beyond control. There are, at least, three main causes of an increase in the cost of exchange:—

1. A fall in the exchange value of the rupee.
2. An increase in sterling charges.
3. Compensation given to employés of Government not included in the terms of their original contract of service.

70. The first cause is obviously "automatic." The second is only "automatic" to a small extent, for instance, in so far as it is due to the scale increase of pensions and other home charges subject to annual increment by efflux of time. Any additions to sterling charges on railway account—and they have been very heavy—or on loans are clearly not "automatic." The third cause is obviously not "automatic" at all. The importance of this distinction will become manifest when the charge for exchange is broken up into its constituent parts. In 1875–6 the net sterling charges of the Government of India were 12,502,000*l.*, in 1884–5 they had increased to 13,844,000*l.*, and in 1895–6 to 15,380,000*l.* Thus, during the first nine years the sterling expenditure of the Government of India increased by 1,342,000*l.* and in the next 11 years by 1,536,000*l.* To remit 1,500,000*l.* in 1895–6 cost (at the rate of Rs. 17½ for every 1*l.*) for exchange alone (*i.e.*, Rs. 7½ × 1,500,000) Rs. 11,250,000 or Rx. 1,125,000. Therefore, Rx. 1,125,000, included in the charge for exchange in 1895–6, represents additional expenditure incurred since 1884–5. Bearing these facts in mind the increase in the cost of exchange may be shown thus:—

INCREASE IN NET COST OF EXCHANGE

(*i*) 1875–6 to 1884–5.

	Rx.
Total increase as shown above (Table VII.) -	2,101,400
Deduct Cost of exchange on addition to sterling charges 1,342,000*l.*, costing for exchange alone Rs. 2·45 per 1*l.* - - - - -	328,800
Automatic increase in cost of exchange due to fall in the value of the rupee - - - -	1,772,600

(*ii.*) 1884–5 to 1895–6.

	Rx.
Total increase as shown above (Table VII.)	10,455,000
Deduct (*a*) Cost of exchange on addition to sterling charges 1,536,000*l.*, costing for exchange alone Rs. 7·5 per £	1,152,000
(*b*) Exchange compensation	1,327,600
Total of (*a*) and (*b*)	2,479,600
Automatic increase in cost of exchange due to fall in the value of the rupee	7,975,400

71. Taking, therefore, the second and more important period (1884–5 to 1895–6), the real increase in the cost of exchange due to uncontrollable causes may be put at Rx. 8,000,000 during the 11 years, and nearly Rx. 2,500,000 of the increase falling under the head of exchange must be classed as increase of expenditure not automatic in its character, but part and parcel of the financial action of the Government of India in increased military expenditure and exchange compensation. A similar analysis of the increased cost of exchange for the period 1884–5 to 1898–9 would work out as follows:—

Increase in Net Cost of Exchange.
1884–5 to 1898–9.

	Rx.
Total increase (from Rx. 3,535,900 to Rx. 9,253,600)	5,717,700
Deduct (*a*) Cost of exchange on addition to sterling charges, 2,250,000*l.*, costing in 1898–9 for exchange alone Rs. 5 per 1*l.*	1,125,000
(*b*) Exchange compensation	483,600
Total of (*a*) and (*b*)	1,608,600
Automatic increase in cost of exchange	4,109,100

Which again shows the immense effect upon the finances of the Government of India exercised by the recent return to a higher level of the exchange value of the rupee.

72. It remains to consider one other important point in connexion with this question of exchange, and that is the incidence of the charge under the different heads of expenditure. A very large part of the burden of exchange is due to the deliberate policy of the Government of India in incurring heavy gold liabilities in connexion with the development of railway communication in India. The charge for exchange under the head of railway revenue account is heavier than under any other head, and represents to-day about one-third of the total charge. In spite of this fact and in spite of an enormous increase on this account during the 11 years, 1885–6 to 1895–6, the net charge for railways in the accounts of the Government of India has not increased rateably with the increased burden of exchange. The following figures establish this point.

Exchange and Railway Revenue Account.

	1884–5.	1895–6.	1898–9.
Net sterling charges	£4,791,148	£5,747,782	£5,874,200
Cost of exchange	Rx. 1,164,210	Rx. 4,366,989	Rx. 2,937,100
Total net charges on revenues of India	Rx. 1,051,751	Rx. 1,620,268	Rx. 878,100

Increase in sterling charges, 1884–5 to 1895–6	£956,636
Increase in cost of exchange, 1884–5 to 1895–6	Rx. 3,204,779
Increase in total net charges, 1884–5 to 1895–6	Rx. 568,517

73. This table shows that although the burden of exchange upon the railway revenue account was increased in the 11 years by no less than Rx. 3,204,779 (of which about one-fourth was due to the increased sterling expenditure) yet the general railway revenue only suffered to the extent of Rx. 568,517; while in 1898–9, as compared with 1884–5, the total net charges are actually less by Rx. 173,651, although exchange was heavier by Rx. 1 774,890. These striking results seem to point to the conclusion that though a falling exchange may have increased the financial burdens of Government in civil administration and military organisation, it has not had a corresponding effect in connexion with the Government's railway undertakings. At any rate, this startling fact remains, namely, that nearly three and a quarter millions Rx. (out of ten and a half millions) of the total additional charge for exchange in 1895–6, as compared with 1884–5, was borne on the railway revenue account at a net increased cost to the Government of India of less than Rx. 600,000.

Exchange Compensation Allowance.

74. Closely connected with the influence upon Indian finance of a falling rupee is the subject of exchange compensation allowance to the servants of Government. The great fall in the value of the rupee was felt severely by those officers of Government who had to make remittances to England; and the Government of India decided to grant "exchange compensation allowance" to its non-domiciled European and Eurasian employés. The charge for this allowance in 1893–4 was Rx. 618,468, in 1894–5 it was Rx. 1,239,275, and in 1895–6 it was Rx. 1,327,632. In 1898–9 the closed accounts show that the charge for exchange compensation allowance has fallen below Rx. 500,000. The grant of this compensation was much resented in India, (1) because it was made at a time when the finances were much embarrassed, when the Famine Insurance Fund was suspended, and the provincial balances invaded, and because sufficient consideration was not shown for the taxpayer, who, himself a sufferer from the fall in exchange had to compensate his richer fellow-sufferers; (2) because it depended upon race privilege, an Indian official receiving no compensation, though he may make large remittances to England for the education of his family at English schools and colleges; (3) because it was indiscriminate, not regarding the rate of exchange when the employé entered the service, nor the fact whether or no any remittance was being made to England; and (4) because the Government of India has acknowledged that it was not legally bound to grant such compensation. Qq. 18,638, 18,351, 18,354, 18,362–4. Qq. 19,027, 17,742. Qq. 10,280, 19,415–17.

75. These grounds of complaint should be removed. But the Government of India failed apparently to see the principal lesson to be learned from this remittance trouble, viz., that the difficulty arose directly from the employment of imported agency, and that the way to meet the difficulty was, as far as possible, to substitute indigenous agency, the payment of which is independent of sterling remittances to England.

Larger Employment of Indians.

76. This brings us back to the main source of financial relief to India; the free employment of Indians in the service of their own country, to which we have already referred (paras. 20 to 24). So far as the principle is concerned no obstacle stands in the way. By the terms of the Imperial Act of 1833 Indians were placed on a footing of complete equality with Englishmen and made eligible for every office in India for which they were qualified by ability and integrity. The Court of Directors in a despatch to the Government of India pointed out that there was to be no "governing caste" in India. The question of the personal composition of the services in India was to be from that time not a question of policy or of "British supremacy," but purely a question of administrative efficiency. And your Majesty's gracious proclamation of 1858 enjoined that merit and not race was to be the test for employment. To the British observer, unacquainted with Indian conditions, it may, perhaps, appear that we lay undue stress upon the question of State employment. In this country the class dependent on service under the Crown is comparatively limited. The greater national energies are drawn to the independent professions, to political ambition, and industrial enterprise. But this is not so in India, where so large a proportion of all enterprise is absorbed by the State, and where Government service is practically the only road to distinction. Qq. 4176, &c., 17,819, 19,320. App. F., para. 17.

Q. 19,341. 77. When we come to examine the facts it does not appear that in the higher grades Indians have been as freely and impartially admitted to office as Your Majesty's injunction requires. According to a Parliamentary Return issued some years ago, there were in the year 1889–90, excluding the Military Department from the calculation, 1,532 civil servants of Government in India drawing pay from the revenues of India of Rx. 1,000 a year and upwards, amounting in the aggregate to Rx. 3,000,000. Of these 1,532 only 59—or less than 4 per cent.—were natives of India, whose share of the three millions was under Rx. 100,000, or less than 3 per cent. If we descend to officers drawing between Rx. 500 and Rx. 1,000 a year, we find that in the Civil Department there are 421 Indians against 1,207 Europeans and 96 Eurasians, In the Public Works Department the number of Indians is 85 as against 549 Europeans and 39 Eurasians. And in the incorporated Local Funds there are 4 Indians as against 22 Europeans and 3 Eurasians. The total salaries of officers of this class in the several Departments are as follows:—Civil Department: Indians, Rx. 290,500; Europeans, Rx. 883,000; Eurasians, Rx. 65,000. Public Works Department: Indians, Rx. 53,700; Europeans, Rx. 396,200; Eurasians, Rx. 27,800. Incorporated Local Funds: Indians, Rx. 2,500; Europeans, Rx. 14,600; Eurasians, Rx. 1,700. Altogether the charge for European salaries and pensions amounts to about Rx. 20,000,000.

Qq. 10,983–9

Qq. 10,722, 10,724, 10,728–9, 16,596A, 19,414, 19,409–11. 78. It is evident that a large saving might be effected if for costly European agency cheaper Indian agency could be substituted. How can this be done?

79. In dealing with this problem three points must be specially kept in view: (1) The high standard of upper grade salaries in India; (2) the doctrine of an irreducible minimum of European agency; and (3) the competition for office between Europeans and Indians. With regard to the first point, the liberal rate of salaries in the higher offices originated, no doubt, from the fact that the high pay was necessary to induce Europeans of the best class to accept service in India. These salaries were, therefore, made up of two parts, (*a*) market value of the labour, and (*b*) compensation for exile in a tropical climate. It is not necessary to pay this compensation to Indians living in their own country. It appears, therefore, that, as a measure of economy, all salaries in India should be reduced to (*a*) the market value, and should, as far as possible, be filled by Indians who do not require (*b*) compensation for exile. But this measure of financial relief is limited by (2) the doctrine of the "irreducible minimum" of European agency, necessary to maintain British supremacy. As regards this European agency it will be admitted that more should not be imported than is absolutely necessary; that it should be of the best quality; and that it should be allocated in the way most advantageous to the public service. With regard to point (3) the competition for office between Europeans and Indians, it is very desirable that an end should be put to the unseemly struggle which takes place whenever a vacancy occurs in an appointment open equally to Europeans and Indians, as for example the Presidency magistracies, and judgeships of the Small Cause Courts. This struggle leads to much angry feeling, to charges of jobbery against the authorities, and to antagonism between the European official class and the educated Indians, detrimental to good administration.

80. As a practical proposal, in the interests of economy, it is suggested that the prize offered at the Indian competitive examination should be, not entry into a Covenanted Service with somewhat vague privileges, but a personal yearly allowance, which would be the compensation for exile in a tropical country, and this might be payable in sterling. The balance of the existing salary should be payable in the Indian currency, without exchange compensation allowance, and would represent the market value of the work, and should form the pay of the appointment held. This is analogous to what is (or was) done in the Royal Engineers, where the officer drew the pay of his rank and in addition the pay of the appointment which he held, say in the Public Works Department. The pay of the appointment was all that was drawn if the holder of the appointment was not a Royal Engineer. An arrangement of this sort would allow of the scaling down of all civil appointments in India, and would be a financial inducement to appoint an Indian wherever possible. As regards the possibilities in this direction we would specially point to the evidence of Captain Hext, R.N. But if economy is to be really enforced there must be some authoritative limitation to the employment of expensive imported agency. If on political grounds a minimum of British agency is necessary, so on financial grounds a maximum is equally essential. At present the Secretary of State possesses a veto over the creation of any new appointment above a certain salary. But

Qq. 18,351, 19,419.

App. F., paras. 65–6.

this reservation does not check the natural tendency of European officials to extend the employment of their own countrymen. The proposal, therefore, is that the Secretary of State, looking to political considerations, should fix a minimum annual total to be paid for European agency in India; and similarly, looking to financial considerations, a maximum. Beside keeping within reasonable bounds the employment of expensive European agency, the effect of such an arrangement would be to get rid of the unseemly struggle between European and Indian which takes place at each vacancy open to both. For if the appointment was given to a European the Indians would view the case with equanimity, knowing that automatically a corresponding advantage must accrue to them; while the Government, when desirous of nominating a European to some other appointment, could make room for him by giving an existing European vacancy to an Indian. This points to another incidental advantage, arising from the elasticity of the proposed system. For if the Government, for any reason, desired to strengthen the European element in any particular province or department it could do so readily, without injustice to anyone, by increasing the Indian element in those provinces and departments (*e.g.*, education, judicial, survey, opium, finance, telegraph, &c.) where this could be done with the most advantage to the public service. As British supremacy in India is an imperial interest, it is evident that the British Treasury should contribute to the cost of the "irreducible minimum" of European agency required to maintain that supremacy. Qq. 16,467, 16,494.

81. With regard to the Indian Medical Service we recommend, as deserving of consideration, the following resolution of the Indian National Congress of 1898, as being in accordance with the evidence of Dr. Bahadurji and other witnesses:—

Q. 19,342.

> Resolved—(*a*) that this Congress is of opinion that the present constitution of the Higher Civil Medical service is anomalous, indefensible in principle, injurious in its working, and unnecessarily costly; that the time has arrived when, in the interests of the public, medical education and the advancement of medical service and of scientific work in the country, as also in the cause of economic administration, the Civil Medical service of India should be reconstructed on the basis of such service in other civilised countries, wholly detached from and independent of the military service.
>
> (*b*) That whilst this Congress views with satisfaction the action of the Imperial Government in throwing open 19 Civil Surgeoncies to be filled up by promotion from the ranks of Civil Assistant Surgeons, deplores nevertheless the unsatisfactory position and prospects of members of the Subordinate Civil Medical Service (Civil Assistant Surgeons and Civil Hospital Assistants) compared with members of similar standing in other departments of the public service, and prays that Government will grant an open inquiry into the present constitution of the Subordinate Civil Medical Department by a mixed commission of official and non-official members.

82. Another wide field for economy is to be found in the further extension of local self-government, and the substitution of voluntary unpaid workers for the lower class of native subordinates. It is well known that the impossibility of providing adequate salaries for the vast number of subordinates required for Indian administration, was one of the leading considerations which induced Lord Ripon to initiate his system of local self-government. Considerable financial relief was thus obtained. Nor was this done at the expense of efficiency. On the contrary, the ordinary Indian householder, whether landholder, trader, or peasant, is skilled in managing local affairs, from his long experience in the ancient village community, while he is more to be trusted than the underpaid stipendiary who is little subject to local public opinion. This is not the place to give a detailed scheme, but it may be mentioned that the economies contemplated would be effected by administering our collectorates more on the model of a well-ordered Native State, such as Mysore or Gondal. The European collector would be the "Raja"; he should be provided with an experienced Indian colleague, who would correspond with the "Diwan" or prime minister; and as long as they carried with them the assent of the local representative Councils, and conformed to the general principles of British rule, there would be little ground for interference on the part of the central government, which would look mainly to results. This arrangement would reduce the expense for subordinates of the centralised departments, who would inspect and advise, rather than administer. Also it would reduce the work and expense of the Secretariats; while favouring the economy and local well-being which arise out of decentralisation, and elasticity of methods. This would be in accordance with the views stated by Lord Salisbury (then Lord Cranborne App. E., paras. 13, 14, &c.

and Secretary of State for India), in his speech in the House of Commons of 24th May, 1867, when he spoke of well-governed Native States as highly favou able to the well-being of the Indian people (*vide* Appendix E). At Bhaunagar in Kattywar a joint administration was conducted on these lines by Mr. Percival of the Bombay Civil Service, and Diwan Gaurishankar, with eminent success, during the minority of the young Raja.

Provincial Finance.

Qq. 17,260, &c., 18,036, &c., 19,208, &c.

83. The progress of expenditure cannot be satisfactorily dealt with without taking into careful account the Decentralisation Scheme of 1882–3, under which revenue and expenditure are divided between the Central and the Provincial Governments. Roughly speaking, Debt, Army, Railways, Mint, Post and Telegraph, Foreign Relations, Home Charges, and Exchange are under the special care of the Government of India, while the rest of the administration, including half the charges for Irrigation and most branches of domestic progress, is under the control of the Provincial governments. The theory is that the whole revenue of the country belongs to and is at the disposal of the Central Government, which assigns portions of it for Provincial use, while reserving to itself large powers of supervision and control. In 1895–6 the result of this arrangement was that the revenue was distributed as follows :—

	Rx.
Total Net Revenue under the Principal Heads - - -	62,149,632
Imperial Share, 69 per cent. - - - - -	42,972,937
Provincial and Local, 31 per cent. - - - - -	19,176,695

84. But these figures do not represent the whole matter. The cost of collecting this revenue (omitting the charge for Assignments and Compensations, Refunds and Drawbacks, and the cost of Opium production, already taken into account in arriving at the net revenue) was Rx. 6,417,548, of which Rx. 4,666,253 or 72 per cent. was thrown upon Provincial revenues and only Rx. 1,761,295 or 28 per cent. borne by the Imperial Exchequer. In these circumstances it is necessary to deduct the cost of collection from the net revenue in order to see the true nature of the apportionment made between the Imperial and Provincial Exchequers.

IMPERIAL AND PROVINCIAL FINANCE, 1895–6.

	Imperial.	Provincial.
	Rx.	Rx.
Net Revenue - - - - - - - -	42,972,937	19,176,695
Deduct Cost of Collection - - - - - - -	1,761,295	4,666,253
	41,211,642	14,510,442

Thus out of a total net revenue, after deducting the cost of collection, of Rx. 55,722,084, the Imperial share is 74 per cent. and the Provincial share only 26 per cent.

85. The contracts which fix this distribution are quinquennial, and for any increase over the standard thus fixed the Provincial Governments must provide out of their own resources, except in exceptional circumstances, *e.g.*, famine. On the other hand, it is only in special Imperial emergencies that the supreme Government levies from the Provincial Governments special contributions, which may or may not be refunded. But as the terms of the contracts are fixed by the Central Government, which is also sole judge of financial emergencies, whether Imperial or local, it is evident that there is no Provincial finance distinct from, and independent of, Imperial finance, as in Federal States. Unlike the Constituent States in Germany and the United States of America, the Indian Provincial Governments have no independent financial powers, nor is there any stability or continuity in the arrangements, which are revised every five years.

86. Owing to these imperfections the original object of the scheme of decentralisation has not been realised; the feeling of financial responsibility has not been properly developed in the Provincial Governments; while the old antagonism between them and the Central Government still continues: on the one hand the Imperial Government, looking to the growing uncertainties of general finance and its own expanding needs, seeks to enforce reduction and economy in respect of Provincial

expenditure at each renewal of the contracts; while on the other hand the Provincial Governments, naturally interested in internal improvements, struggle hard against the limitations imposed, each striving to get the best terms it can for its own Province. From this anomalous condition of things the following results arise:—

(1.) The Central Government appropriates to itself a proportion of the national resources larger by far than what is usual in Federal States, and leaves to the Provincial Administrations very meagre resources to meet the growing demands of internal improvements. Out of the total net revenues available for carrying on the purposes of Government it reserves to itself no less than 74 per cent.

(2.) As pointed out by Sir A. Colvin and others, questions of foreign policy have during the last 15 years absorbed the attention of the Supreme Government, with a corresponding increase in military and quasi-military charges. This will be seen by a comparison of the figures before and after 1884–5.

TABLE VIII.

CIVIL AND MILITARY EXPENDITURE, 1875–6—1895–6.

Year.	Civil Services. Rx.	Military Services. Rx.
1875–6	14,529,499	15,965,780
1884–5	17,221,066	17,057,865
Increase	2,691,567 = 11%	1,092,085 = 7·5%
1884–5	17,221,066	17,057,865
1895–6	23,050,070	25,677,734
Increase	5,829,004 = 34%	8,619,869 = 50·5%

From this it appears that expenditure on the Military services has increased at a far greater rate since 1884–5 than that upon the Civil Services, in sharp contrast to the state of things prevailing before that year. These figures also show that the Central Government, by drawing to itself 74 per cent. of the National resources, has diverted expenditure from what may be called the reproductive objects of internal improvement to the unreproductive objects of foreign policy and military preparedness.

(3.) The want of certainty and continuity makes it difficult for the Provincial Governments to carry out comprehensive schemes of internal improvement, such as those of irrigation and water supply. Also the grants from the Central Government are sometimes increased and sometimes diminished at the quinquennial adjustments, and these fluctuations involve expansion or restriction of establishments, which cannot be carried out without waste.

(4.) Complaints and jealousies arise regarding the distribution of grants as between Province and Province. Great inequalities exist in regard to the total burden the different Provinces have to bear and the assignments they receive for Provincial purposes.

87. As regards the remedies to be applied, Sir A. Colvin proposes that the periods of contract should be extended from five to ten years. Sir D. Barbour attaches great importance to the further development of Provincial decentralisation, and adds that if called upon to choose between seeing "the Imperial Government embarrassed and "the Provincial Governments starved" he would prefer the former alternative; and he looks forward to the time (not yet, in his opinion, arrived) when it would be possible to assign permanently to each Province a certain fixed proportion of the total revenue raised in that Province, and do away with the present periodical revisions altogether. The best remedy, in our opinion, will be found in the scheme laid before the Commission by one of the Indian witnesses, which is recommended by the high

Qq. 3065, 15,946, 19,318. Qq. 2101, 2094. Q. 2084.

Q. 18,105. authority of Sir Charles Elliott, Sir W. Hunter, Mr. Justice Cunningham, and Mr. Justice Ranade. These proposals are:—

I. That there should be no divided departments, but that those departments of receipts and expenditure which are now wholly, or almost wholly, Imperial, or which it may be found convenient to make Imperial, should be set on one side for Imperial purposes, and that the receipts and expenditure of the Provincialised departments should be entirely Provincial;

II. That whatever the sum be by which the Imperial expenditure exceeds the income from those sources of revenue which are not Provincialised, that sum should be declared the first charge on the Provincial revenues;

III. That the Provincial surplus which arises from the excess of receipts over expenditure should be the fund from which, in the first place, all Imperial necessities should be met before any increase can take place in Provincial expenditure;

Q. 18,104. IV. And that, as regards the future growth of revenue, it should, as far as possible, be divided equally between Provincial and Imperial, subject to the condition that if the Imperial exigencies ever required a larger share the Imperial share should be increased.

88. The following advantages are claimed for the foregoing scheme:—

(1) It will place the financial system of India once for all on a sound basis, and will bring it more in a line with the federal systems of finance in other countries;

(2) It will remove all irritation at present felt by the Provincial Governments and secure to them, under ordinary circumstances, half the normal growth of revenues in their provinces, enabling them thereby to make steady efforts towards the progressive improvement of their internal administration;

(3) It will tend to secure greater and greater equality in the burdens which Imperial expenditure imposes upon the different provinces. The effect of contributing to the Imperial Exchequer an equal portion of all future increase in revenue (viz., 50 per cent.) will be that year by year the relation which the contribution of a province bears to its revenue will tend more and more towards equalisation. Thus the provinces which now pay, say 60 per cent. of their revenue, will, after paying only 50 per cent. of their increase for some years, be found to have dropped down to a ratio of 58 or 57 per cent. And similarly in the provinces which pay less than 50 per cent. at present, the ratio will constantly work itself up towards 50 per cent.; and

(4) It will operate as a check upon the inclination of the Government of India towards increased unreproductive expenditure.

89. To these proposals of Sir Charles Elliott, one more may be added, viz., that the Government of India should have no power of claiming for itself a higher proportion of the provincial increases than 50 per cent., except in those extreme cases described by Lord Ripon's Government as dire necessities, and that whenever, in the opinion of the Government of India, those extreme cases arise, a formal declaration of the grounds on which such opinion is based should be drawn up and sent to the Secretary of State, to be placed by him before Parliament. Further, the increase should be allowed only with the sanction of the Secretary of State, who should give a hearing to the Provincial Governments and take their objections, if any, into account before according such sanction. These proposals, which are only a logical development of the financial decentralisation already effected, will secure to provincial finance the stability and certainty it so much needs, and while making adequate provision for the real necessities of the Central Government, will enable the Provincial Governments to make comprehensive and well-sustained efforts in administrative reform and the internal improvement of the country.

90. In reviewing the progress of expenditure, we must never lose sight of the fact that, on account of the peculiar economic position of India, and the impoverishing effect of the drain of both public and private capital to Europe, any excess in expenditure has more deplorable effects than would, in a self-governed country, be indicated by the same figures. Until this drain is checked, no permanent improvement for the Indian people can be expected.

91. For convenience of reference, and as deserving serious consideration, we add the following note of the main points urged in their evidence by the Indian witnesses, as

regards the defects of the present management and administration of Indian expenditure, and as regards the direction in which improvements may be effected to the advantage of the Indian people. It is contended by them—

1. That Indian expenditure is not always exclusively, or even mainly, governed by Indian considerations, as is illustrated by—

   (*a*) Indian Defence; Indian frontier policy in its varying phases—adopted in furtherance of Imperial schemes of trans-frontier territorial expansion more than for India's defence—tending only to weaken her natural defences and loading her with indefinite and ever-increasing liabilities;

   (*b*) Railway extensions forced on without due heed to the country's needs or means—apparently intended to advance her industrial development, but unaccompanied by other and larger necessary measures which alone could make them serviceable to the proposed end;

   (*c*) Continued concessions, in respect of pay, promotion, pension, &c. to the European services, both civil and military—concessions lending colour to the view that the country exists for the services, and not the services for the country.

   The greater part of the increase of expenditure in recent years falls under these heads, and this fact bears out the contention of the Indian people that Indian interests are often subordinated to considerations of Imperial expansion, British commerce, and the European services.

2. That due care is not exercised, nor is strict economy enforced, in the spending of India's money, as may be seen from the following—

   (*a*) Comparatively little is yet done in the way of substituting qualified indigenous agency for foreign agency in the various departments of the civil administration (*e.g.*, judicial, police, medical, post, telegraph);

   (*b*) Overgrowth of controlling and supervising central establishments (*e.g.*, sanitation, police, jails, stamps, registration, &c.);

   (*c*) Organisation and maintenance of the Indian armies permanently on a war footing, without the necessary supports of reserves and militia—a system of national defence, long since discarded as wasteful in European countries;

   (*d*) Disproportionately large numbers of British troops as compared with Native;

   (*e*) The officering of the Native army—over-recruitment of the Staff Corps and an increasingly restricted employment of Indian officers, the question having an important bearing on finance;

   (*f*) Railway contracts and concessions to railway companies.

3. That there is a faulty distribution of expenditure of Indian money—

   (*a*) Comparatively more is spent on so-called national defence, and less on the material and moral development of the country and the improvement of the civil administration;

   (*b*) More is spent on Imperial purposes and less on provincial purposes than is desirable in the present circumstances of the country, the provincial purposes being intimately connected, and the Imperial purposes only remotely, with the immediate well-being of the people;

   (*c*) More is spent on improvement of communications, and less on the improvement of the condition and capacity of the people themselves.

   The present scale of India's expenditure is also open generally to objection on the ground that it is much beyond the capacity of the country to bear.

III.—*Apportionment of Charge.*

92. In dealing with the principles (*ante* para. 18) upon which a settlement of this question should be based, we assumed that it is the desire of the British people that British rule should be one of justice and righteousness, for the benefit of both India and Britain, and not for the benefit of Britain alone at the expense of India. Guided by this desire, the apportionment both of burdens and benefits will follow the analogy of two partners jointly interested, and not that of master and slave. When, therefore, we come to make practical suggestions, we have to ascertain what are the purposes in which both are interested, and what proportional share of those interests belongs to

Q. 13,642. Q. 17,014. Q. 6591, 8683, 17,819.

Q. 16,283. each? With a view to a truly equitable settlement between them, some reasonable consideration should also be given to the capacity of each to sustain the financial burden, England being very rich, and India very poor. Now, as regards the question, what are the joint interests, the first point is that the maintenance of British rule in India is probably the greatest of our Imperial interests. To use the words of the present Viceroy, Lord Curzon: "India was the pivot of our Empire. If this Empire "lost any other part of its dominions we could survive, but if we lost India the sun of "our Empire would be set."* It seems, therefore, clear that the Empire should bear Q. 14,289. at least a share of those expenses which are necessary to maintain the conditions without which British rule in India would not be possible. What those conditions are was very distinctly laid down by Lord Kimberley, speaking at the Mansion House App. D., para. 10. (*v.* "Times" of June 13, 1893). This is what he said: "There is one point upon "which I imagine, whatever may be our party politics in this country, we are all "united: that we are resolutely determined to maintain our supremacy over our "Indian Empire. That, I conceive, is a matter about which we have only one opinion, "and let me tell you that that supremacy rests upon three distinct bases. One of "these bases, and a very important one, is the loyalty and goodwill of the Native "Princes and population over whom we rule. Next, and not less important, is the "maintenance of our European Civil Service, upon which rests the foundation of our "administration in India. Last, not because it is the least, but because I wish to "give it the greatest importance, we rest also upon the magnificent European force "which we maintain in that country, and the splendid army of Native auxiliaries by "which that force is supported." From this it appears that the main instruments by which British rule in India is maintained, are, a strong European military force; a European Civil Service; and a contented Indian population. Without these combined factors the conditions necessary to British rule could not be produced. The maintenance of these instruments of British rule is therefore clearly an Imperial interest, Qq. 5345, 9612–3. and we are of opinion that the Imperial Exchequer should bear a proper share of the expense involved.

93. The next question is, What is a proper share? Now, in dealing with this question, we fully recognise the advantage to India from the maintenance of law and order, and provision against foreign aggression. Also we do not wish to minimise the political and educational benefits arising to India from the British connexion, so far as she has been made partaker of free and progressive institutions. If we did so, we should not give true expression to Indian sentiment. It would indeed be difficult to exaggerate the deep feeling of gratitude which exists for the truly British boons of a free press, free public meetings, municipal institutions, trial by jury, and higher education. In proportion as these and similar boons have been extended or withdrawn, so does enlightened Indian opinion measure the benefits accruing to India from the British connexion, as contrasted with a possible similar connexion with any other country in the world. So strong is this feeling that we do not hesitate to say that if, in accordance with our pledges, the Indians were made full partakers of true British citizenship, they would regard the maintenance of British supremacy as among the Qq. 19,833–7. first and best of India's interests. On the other hand, if the British connexion means, the withdrawal of these boons, on grounds of distrust, the increased substitution of British for Indian agency, and vast military expenditure in support of British Imperial policy, then, from the Indian point of view, the benefits of the British connexion are largely reduced and much injury is inflicted.

94. From these considerations it will be evident how difficult it is to appraise definitely the proportional advantage to India and to the Empire from the maintenance of law and order in India, and her protection from foreign aggression. But one distinguishing mark and test of the British interest is indicated in Lord Kimberley's declaration, viz., the employment of European agency in the Civil and Military Services. This is the Imperial requirement already referred to as the "irreducible minimum." For, if we imagine a great Indian-born ruler like Akbar, it is evident that he would only employ Europeans in certain special cases, relying upon the abundant supply of experience, intelligence, and warlike qualities to be found in India, for the ordinary defence and administration of the country.

Qq. 5345, 16,505, 16,404, 19,419, 19,800. 95. Taking, therefore, the employment of Europeans as a fair practical test of Imperial requirements, we propose, as a working arrangement, that Britain should pay for all British employed upon Indian work in Britain; that India should pay for

* *Times*, 3/12/98.

all Indians employed in India; and that, as regards British employed in India, and Indians employed in Britain, there should be a compromise under which the expenses should be shared equally. Or, to make the British share still more moderate, the cost of all European agency on behalf of India, wherever employed, might be divided half and half between India and the Imperial Exchequer. The British taxpayer would thus, equally with the Indian taxpayer, become interested in checking the excessive employment of costly imported agency, and a useful spirit of inquiry would be aroused in this country with reference to the efficiency and economy of the Indian administration. We believe that the British taxpayer would, in the end, be more than recouped for his sacrifice by the prosperity of the 300 millions of India, and the consequent enormous trade which would thence accrue to the United Kingdom.

App. D, para. 14.

Qq. 17,014, 17,821, 19,320.

96. Such being the arrangement we propose with regard to the ordinary expenses of Indian defence and administration, we come next to the special cost of wars carried on beyond the Indian frontier of 1858. With regard to the last Afghan war, Lord Salisbury declared that it formed "an indivisible part of a great Imperial question." If this is a correct statement—and we believe that it is—it follows that the whole cost, ordinary and extraordinary, of such wars should primarily be borne by the Imperial Exchequer, India contributing in proportion to the benefit accruing to her from the protection of her frontier or other circumstances arising out of the war. On the other hand, the disadvantages to her should not be lost sight of, such as the great destruction of cattle and other transport animals, and the increasing difficulty and expense of recruitment for the Native army, on account of the dislike to service outside of India. This arrangement would apply to wars carried on in the immediate vicinity of India. But in the case of wars carried on in distant parts, such as Abyssinia, the Soudan, Egypt, East Africa, or the Cape, no expenditure should be placed upon India, either ordinary or extraordinary. On the contrary, the great convenience experienced in each of these cases from being able to draw on Indian resources must be reckoned as an important credit item in the account between India and the Imperial Exchequer. The only case in which, perhaps, an exception might be made is when the Suez Canal is actually threatened and may have to be actually defended. India might then be called upon for a contribution, provided always that other British colonies and dependencies in Australia and the Far East—which similarly benefit from the Suez Canal—also pay their share.

App. D., para. 31. Qq. 5352–3.

Q. 6129.

Qq. 5355, 6117, 6125–7, 6623.

Q. 17,074.

97. But, in balancing the account of war expenditure as between India and the Imperial Exchequer, we cannot overlook the great sums charged in times past improperly upon India on account of wars waged beyond the Indian frontier, for purposes avowedly Imperial. What the grand total on account of Afghan and other wars amounts to it is difficult to estimate. But we may draw attention to the calculations made by Colonel Hanna ("Backwards and Forwards," p. 40), showing an estimate of over Rx. 70 millions (Appendix I.). From official returns it appears that nearly Rx. 13 millions were spent from April 1882 to March 1892 on minor wars beyond the Western and North-Western frontiers. There was also the last Burmese war.* The cost of all these wars, including the first Afghan war (1838–42), has (in spite of protest†) been placed upon India, with the exception of 5,000,000*l.* granted by the Imperial Treasury towards the cost of second Afghan war.

App. D., para. 44. Qq. 5347–9. Qq. 17,821, 18,514, 19,047. Qq. 5353–4, 6180–1, 6197.

98. For all these wars, so far as they were "an indivisible part of a great Imperial question," the Imperial Exchequer should primarily have paid. But the charges were all thrown upon India, imposing upon her a public debt which she need not otherwise have incurred. It may we hope not seem even now too late to ask for such refund as equity requires. But some relief would be afforded to India if, in bearing her share in this Imperial burden, she had the help of the Imperial credit. Had the Imperial guarantee been granted at the time the Indian debt was incurred, a vast sum would have been saved to India. But even now this concession would go some way to lighten the load imposed upon India in creating and maintaining British Imperial supremacy in the East.

Q. 18,514.

App. B., para. 129.

99. We are strongly of opinion that India ought no longer to bear the heavy financial strain of 75,000 British troops.‡ At the present time about 10,000 of these troops have

* Protest against Burmese War, Indian National Congress, 1885, Resolution VII.

† Extract resolution at a General Court of the East Indian Company, on the 27th June 1842 (Sir George Wingate's pamphlet "Our Financial Relations," 1859, p. 32).

‡ Protest Resolution V, Indian National Congress, 1885.

been withdrawn from India for employment in the Transvaal war, while 5,000 Native troops have also been withdrawn to replace British soldiers transferred from Ceylon, Mauritius, and Singapore for employment in South Africa. If in a time of war, when the strain is great on the Empire, it is considered safe to withdraw 15,000 troops from India, it is clear that, on a peace footing, the number of British troops may be safely reduced by 20,000 men. We do not recommend their withdrawal from India, where they should continue to be quartered, but equity requires that the revenues of India should be relieved of their entire charges, and that they should be treated as part of the reserve forces of the Eastern portion of the British Empire generally, and borne in future upon the army estimates in that capacity.

100. With regard to the dispute between the War Office and the Government of India, Lord Northbrook's Committee fixed the capitation grant for the training of European recruits at 7*l.* 10*s.*; and Lord Northbrook in his evidence said (Q. 14,295) "that this Commission may assume that on the whole our conclusions on the arith-"metical question are fair to both sides." And in reply to (Q. 14,266) he said, "Yes, we then having got all the returns we wanted, and having got the claims for "1886–7 and 1887–8, arrived at a rate of 7*l.* 10*s.* upon the establishment of the "British troops in India, which we recommended as being what we considered a fair "charge. That was the result of the Commission." The Government of India claims a reduction to 5*l.*; but our colleagues have retained the charge at 7*l.* 10*s.* If this be accepted, then according to the principles above enunciated, this charge for European agency, being one in which both countries are interested, should be borne in equal shares by the two countries, the contribution from India being thus 3*l.* 15*s.* Similarly as regards the Navy. The charge is incurred directly for joint purposes in the Indian waters. It should, therefore, be fairly divided between India and the Imperial Exchequer. And in this connexion it must be pointed out that all the advantages of service in the Royal Navy are reserved for British born subjects. On this account either Indians, according to their qualifications, should be allowed to participate in the honours and emoluments of the service, or else a corresponding reduction should be made in the payment required from India. We regret that (as shown in Appendix H) the Admiralty excludes Indians from service in the Royal Navy.

Qq. 6195–6, 6045–6.

Qq. 6594, 9606–12.

Qq. 7130–4.

101. With reference to minor expenses, such as Aden, diplomatic and consular establishments, subsidies, &c., east of the Red Sea, we are willing to accept the view taken by our colleagues. But we think that in all cases where British colonies and dependencies in Australia and the Far East are also interested, they should be required to pay their share. The self-governing colonies have recently shown a strong desire to identify themselves with Imperial interests, and even to share in the burdens; and we are of opinion that if, under these circumstances, they are unwilling to contribute to the charges now in question, and if the Imperial Government is not prepared to insist upon its claim, it would be unbecoming to make an exception in the case of India, and to exact from her a contribution in disregard of her protest.

Q. 9541.

Qq. 12,026, 12,035, 12,037.

102. Another minor point has reference to the ownership of buildings, such as the India Office and the Royal Engineering College, which have been built in England at India's expense. These are for joint purposes; and it might even be claimed that British subjects are more interested in them than Indian subjects. They are property situated in this country; and we note that the Colonial Office was built entirely at the expense of the British Exchequer. We think, however, that it would be sufficient if the cost were equally divided, and a corresponding refund conceded.

103. The recommendations regarding apportionment above submitted depend, in great measure, upon our reading of the Commission's terms of reference, and as we differ from our colleagues in this matter, we have thought it desirable to record our views regarding this part of the reference somewhat in detail. These will be found in Appendix D.

Q. 13,642.

104. In certain cases doubtful points will arise as to respective interests; and it seems desirable to refer such cases for decision to some fair tribunal. The following suggestions are respectfully submitted for consideration.

105. Upon this question valuable evidence has been taken; and the Commission seems called on to make some definite suggestions regarding it, out of deference to the wish expressed by the Prime Minister not long after the Commission was appointed. The proposal to establish an arbitration tribunal between India and Great Britain, in

order to settle disputes regarding the apportionment of charges between the two countries, was first brought into prominence by Mr. Arthur Balfour in the debate, in 1896, on Suakin, in the House of Commons. He then asked "whether the time has "not arrived when we might with advantage, both to India and to England, constitute "some kind of tribunal of arbitration . . . . for the determination of questions of "this sort, in which the interests of India and Great Britain should be alike and "equally represented." This general suggestion was brought into the sphere of practical politics by Lord Salisbury when, in the House of Lords, he stated that early in the year he was "so impressed in favour of such a course that he laid before his "colleagues a proposal for the appointment of a tribunal, which should be so "impartially composed as to obtain the confidence of the taxpayers of both England "and India." When, however, they came to consider the details, they felt that it would be best to await the report of the Royal Commission on Indian Expenditure. And Lord Salisbury expressed a hope that that Commission "will furnish suggestions "for regulations to which the government of the day may be able to conform without "any fear that the steps which they may think necessary for the defence of the "Empire will be made the subject of discussions which may be injurious to the interests "of that Empire." The idea was also approved by Lord Northbrook, who thought that a promise by Government to constitute such an authority would entirely counteract the ill-feeling raised in India by the unhappy Suakin business; while Lord Lansdowne considered that some machinery might be devised which would enable Her Majesty's Government and the Indian Government so to apply the principles of reciprocity that India would be placed for the future "in an infinitely sounder position with regard to these controversies than she had ever before occupied."

Q. 14,305.

Q. 16,033.

106. The point to consider is how such a tribunal shall be found as, in the words of Lord Salisbury, will "obtain the confidence of the taxpayers of both England and India"? It is in such cases generally better, if possible, to utilise an existing machinery, especially if that machinery is one of proved efficiency and accepted authority, rather than to constitute a new tribunal. And, in our opinion, there is no authority in England which more commands the confidence of the Indian public as regards wisdom and strict impartiality than the Judicial Committee of Her Majesty's Privy Council. Fortunately, the Statute 3 & 4 William IV., c. 41, which defines the functions of the Judicial Committee, not only provides that it shall hear judicial appeals, under section 3, but also under section 4, authorises it to entertain any other matter whatsoever upon a special reference by the Crown. Section 4 runs as follows: "That it shall be lawful for His Majesty to refer to the said Judicial Committee, for "hearing or consideration, any such other matters whatsoever, as His Majesty shall "think fit; and such Committee shall thereupon hear and consider the same." And Lord Justice Knight Bruce, in the case of the Nawab of Surat (Moore's Appeals, Vol. V., p. 499), observed with reference to these very wide powers, that if "it shall "hereafter be the pleasure of Her Majesty to refer the present petition, or any similar "petition to their Lordships, their Lordships will, of course, hear it, and report to "Her Majesty upon it." And, in disposing of the particular case, he pointed out to the petitioners how they might get the benefit of section 4: "The petitioners, "therefore, will take such course as they may be advised, with reference to an "application to the Crown, through the Board of Control or otherwise. By "possibility, in consequence of such application, if made, the matter may come here "again, and their Lordships will readily do their duty in hearing it."

Q. 18,767.

Qq. 15,691, 13,651.

107. As it is desired in this matter to provide a tribunal which will not only be impartial but will command the confidence of both British and Indian taxpayers; as the Judicial Committee of the Privy Council fulfils these conditions; as the Statute provides that the Crown can refer to it any such matters whatsoever as her Majesty shall think fit; and as their lordships are prepared readily to hear such matters on the merits, and to report to her Majesty; there seems no reason why any question in dispute between India and Great Britain should not be so dealt with. One great advantage would be that upon the difficult and delicate questions that would thus come before the Judicial Committee the case for each side could be argued by counsel, and the recommendation which would be laid before both Houses of Parliament would carry with it all the authority of a judicial decision by an absolutely independent tribunal. The issues in dispute would be mainly of a judicial kind, such as in the present case, as to where the interest of India ends and the interest of England begins, but if financial matters of a difficult kind were involved an assessor could easily be

added, specially qualified to deal with such questions. It would also be well that for such arbitrations an Indian judge should be included in the Judicial Committee. This would be a step towards the equal representation of Indian and British interests, as desired by Mr. Arthur Balfour. On receiving the report of the Judicial Committee, it would, of course, be open to both Houses of Parliament to discuss and decide regarding it, but there would lie upon anyone objecting to the recommendation a heavy burden to show that the award should not be accepted; and as the recommendation would not come from either political party, there would be no reason why the debate should assume a party complexion or be in any way injurious to the interests of the Empire.

108. In conclusion, we would draw special attention to the Report of 1874 on Indian Finance by a Select Committee of the House of Commons. That Committee expressed its agreement with the opinion of Lord Salisbury, who said that "the most effectual "way of securing financial justice for India was for the House of Commons to be "constantly watchful on her behalf." The question is, how can this constant watchfulness be ensured? The only way seems to be by obtaining in the House of Commons the presence of representatives of the Indian taxpayers. This opens up a large constitutional question, upon which we are not prepared now to enter. But it is to be observed that French India has her representatives in the Chamber of Deputies; and we are of opinion that one representative from each of the Presidencies of Bengal, Madras, and Bombay, would be found of great practical value in the House of Commons; while such a concession would give profound satisfaction to public opinion in India.

Qq. 8,016–7.
Q. 18,023.

109. We desire to associate ourselves with our colleagues in their cordial acknowledgment of the services of Mr. Colin Campbell, the secretary of the Commission.

W. WEDDERBURN.
DADABHAI NAOROJI.

While I am unable to agree with some of the arguments and conclusions brought forward in the Report and Appendices by Sir William Wedderburn, Bart., M.P., and Mr. Dadabhai Naoroji, I agree with the recommendations, and append my signature thereto.

W. S. CAINE.

APPENDICES. (See Vol. III., p. 443.)

Nine Statements placed before the Commission by Mr. Naoroji.

A.—The Scope of the Reference.

B.—Extracts from correspondence with the India Office regarding Statistics showing the Poverty of the Indian Masses.

C.—Statistics required by the Act of 1858, but not supplied by the Government of India.—Trade and Population, &c. Statistics.

D.—Analysis of terms of Reference as regards Apportionment of Charge.

E.—Lords Salisbury's and Iddesleigh's successful Plan in Mysore.

F.—Employment of Indians in the Higher Grades.

G.—Extracts from correspondence with the War Office on the Admission of Indians to Commissions in the British Army.

H.—Extracts from similar correspondence with the Admiralty as regards the Royal Navy.

I.—Table showing Expenditure on Wars beyond the Indian Frontiers.—Extracted from "Backwards or Forwards," by Colonel Hanna.

INDIAN EXPENDITURE (ROYAL COMMISSION).

RETURN to an Address of the Honourable The House of Commons, dated 11 December 1900;—*for*,

"COPIES of any Correspondence between the SECRETARY OF STATE FOR INDIA IN COUNCIL and the TREASURY, on the subject of the Report of the Royal Commission on Indian Expenditure."

India Office,
12th December 1900.

ARTHUR GODLEY,
Under Secretary of State.

(Lord George Hamilton.)

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387.—Sess. 2.

RETURN to an ADDRESS of the Honourable The HOUSE of COMMONS, dated 20 July 1900, for "COPIES of any CORRESPONDENCE between the SECRETARY OF STATE for INDIA in Council and the TREASURY on the subject of the REPORT of the ROYAL COMMISSION on INDIAN EXPENDITURE."

No. 1.

India Office to Treasury.

F. 3418.

17th July 1900.

I am directed by the Secretary of State for India in Council to draw the attention of the Lords Commissioners of Her Majesty's Treasury to the proposals of the Royal Commission on Indian Expenditure, regarding the apportionment of charge between the Governments of the United Kingdom and of India for purposes in which both are interested.

According to paragraph 364 of the Report of the Commission, the total amount of the annual charges to be transferred from the revenues of India to those of the United Kingdom would be approximately 293,000*l.*; but this includes a sum of 108,000*l.* sterling as one half of the military charges for Aden, which should have been stated as 108,000 tens of rupees, so that a reduction of 36,000*l.* must be made. The total amount of the relief which India would receive, if all the recommendations of the Commission were adopted, would therefore be, not 293,000*l.*, but 257,000*l.* a year.

I am desired to express Lord George Hamilton's confident hope that the Lords Commissioners of the Treasury will accept the unanimous opinion of the Commission, in so far as it is in favour of relieving the revenues of India to that extent. As regards the heads under which the relief should be given, I am directed to make the following suggestions.

It appears to Lord George Hamilton that this opportunity might with advantage be taken to put an end to certain minor payments that are now made by India, and thus to simplify the accounts between the two Governments. At present the Secretary of State in Council pays 7,000*l.* a year on account of the Mission to the Court of Persia, 12,500*l.* a year for Her Majesty's Establishments in China, and 1,787*l.* as contributions towards the expenses of the Jeddah, Momein, and Busreh Consulates, making a total of 21,287*l.* for political charges. He also pays a subsidy of 10,000*l.* a year to the Eastern Telegraph Company on account of the Zanzibar-Mauritius cable.

I am to suggest that for the future all these contributions might be foregone by the Imperial Government.

His Lordship assumes that 130,000*l.* will be allowed as half the cost of the transport of troops to and from India, and will be defrayed by the Imperial Government, in accordance with the proposals of the Commission.

With respect to the Military Charges for Aden, Lord George Hamilton desires me to suggest that the sum to be granted from Imperial revenues might equitably be fixed at 100,000*l.* a year, being slightly in excess of the share which the Commissioners considered that the Imperial Government should bear, but on the other hand somewhat less than the sum (108,000*l.*) by which they apparently intended that India should benefit under this head.

If these suggestions are accepted by the Lords Commissioners, the total amount of relief to be received by India will be 261,287*l.** a year, and Lord George Hamilton is prepared to accept that sum as satisfying the equitable claims of India under existing circumstances in respect of the subjects referred to the Royal Commission.

	£
*Political charges - -	21,287
Telegraph subsidy - -	10,000
Transport, moiety - -	130,000
Share of Aden expenses -	100,000
Total - - -	£261,287

I have, &c.
(Signed) A. GODLEY.

No. 2.

Treasury to India Office.

No. 12,560.

26th July 1900.

I am directed by the Lords Commissioners of Her Majesty's Treasury to acknowledge the receipt of your letter (F. 3418) of the 17th instant, on the subject of the recommendations of the Royal Commission on the Administration of the Expenditure of India with regard to the financial relations between Her Majesty's Government and the Government of India.

As the proposals of the Secretary of State for India in Council affect not only the Treasury but also the Foreign Office and War Office, it is necessary that my Lords should consult these Departments; and this has been done by their Lordships, who, on receipt of replies, will communicate their decision to you forthwith.

Meantime, it would be convenient to their Lordships to be informed, as soon as possible, whether they are correct in assuming that Lord George Hamilton proposes that the new financial arrangements should come into force on 1st April 1901.

I am, &c.
(Signed) E. W. HAMILTON.

No. 3.

India Office to Treasury.

F. 3730.

2nd August 1900.

In reply to your letter of the 26th of July, No. 12,560, I am directed by the Secretary of State for India in Council to inform you that he concurs in the view that the financial arrangements which may take place as the result of the consideration of the recommendations of the Report of the Royal Commission on Indian Expenditure, shall come into force on the 1st of April 1901, and that the payments during the current year should be settled as in 1899–1900.

I am, &c.
(Signed) A. GODLEY.

No. 4.

Treasury to India Office.

No. 13,585.

10th August 1900.

I am directed by the Lords Commissioners of Her Majesty's Treasury to acknowledge receipt of your letter of the 2nd instant (F. 3730), stating that the Secretary of State for India in Council concurs in the view that the financial arrangements which may be made as the result of the consideration of the recommendations in the Report of the Royal Commission on Indian Expenditure, should come into force on the 1st April 1901, and that the payments during the current year should be settled as in 1899–1900.

I am, &c.
(Signed) FRANCIS MOWATT.

No. 5.

Treasury to India Office.

14,137.

11th September 1900.

The Lords Commissioners of Her Majesty's Treasury have carefully considered, in communication with the Secretary of State for Foreign Affairs and the Secretary of State for War, your letter of the 17th July 1900, relative to the recommendations of the Royal Commission on Indian Expenditure in favour of the transfer of certain annual charges from the revenues of India to those of the United Kingdom; and I am directed to request that you will submit to the Secretary of State for India in Council the following reply.

After the necessary correction of the figure given by the Royal Commission for half the military charges for Aden, their recommendations are that the following grants be made by the Imperial Government to India:—

	£
In aid of the charge for the India Office - - - -	50,000
Half the military charges for Aden - - - -	72,000
Increased contribution to the charge of the Persian Mission -	5,000
Half the cost of the transport of troops to and from India -	130,000
Total - -	257,000

The modification of these proposals suggested in your letter under reply consists in the substitution, for the direct contribution in aid of the charge for the India Office, and for the 5,000*l.* increase of contribution to the Persian Mission, of the following:—

	£	£
Additional grant in respect of the military charges for Aden (making the total 100,000*l.*) - - -		28,000
The waiver by the Imperial Government of certain minor payments now made annually by India:—		
1. Subsidy to the Eastern Telegraph Company on account of the Zanzibar-Mauritius Cable - -	10,000	
2. Persian Mission - - - - -	7,000	
3. Establishments in China - - -	12,500	
4. Consulates at Jeddah, Momein, and Basra - -	1,787	
		31,287
Total - - -		59,287

This sum, together with 72,000*l.* representing half the military charges for Aden and 130,000*l.* representing half the cost of transport of troops, makes up a total of 261,287*l.*, as compared with the 257,000*l.* recommended by the Royal Commission, beyond which my Lords are not prepared to increase materially the contribution from Imperial Funds.

With reference to the above proposals, the Secretary of State for War informs my Lords that he is prepared to make an annual contribution from Army Funds, towards the cost of the transport of troops and towards the military charges for Aden, of 230,000*l.*, to commence as from 1st April 1901. His Lordship, however, points out that the Royal Commission recommended that the capitation rate, which forms the basis of the contribution paid by India for Home Effective Charges, should be revised in five or six years, and he proposes therefore that the contribution of 230,000*l.* should remain in force for a similar period. My Lords concur in this proposal.

There remains to be considered the suggestion that the Imperial Government should forego the payments now made by India to the extent of 31,287*l.* per annum, as set out above.

My Lords fully share the opinion of the Secretary of State in Council that it is desirable to take the opportunity of putting an end to these payments, so far as circumstances justify, with a view to simplifying to that extent the accounts between the two Governments; and, for their part, they readily agree to give up the Indian contribution of 10,000*l.* per annum towards the subsidy for the Zanzibar-Mauritius cable.

As regards the other payments by India which are now appropriated in aid of the Diplomatic and Consular Vote, the Secretary of State for Foreign affairs has expressed his views in a letter dated the 11th ultimo, of which I am to enclose a copy.

It will be seen that the Marquess of Salisbury is prepared to forego the following sums :—

	£
For establishments in China - - - - -	12,500
For the Persian Mission (the sum recommended by the Royal Commission) - - - - - - -	5,000
	17,500

2,000*l.* per annum would thus continue to be payable by India in respect of the Persian Mission.

The Foreign Office letter points out that 1,787*l.* does not correctly represent the existing contributions for Jeddah, Momein, and Basra Consulates, which should be 2,664*l.* per annum, and suggests that India should continue to pay a lump sum of 6,000*l.* (to include the remaining 2,000*l.* in respect of the Persian Mission, and the present contributions (*a*) for the Consulates at Jeddah, Momein, and Basra, and (*b*) for the Consulates at Kerman and Chiengmai). My Lords concur in this suggestion, which would have the result of making the total concession to India about 500*l.* more than the 257,000*l.* per annum recommended by the Royal Commission.

My Lords trust that the Secretary of State in Council will be able to accept the above proposals as satisfying the equitable claims of India, under existing circumstances, in respect of the subjects referred to the Royal Commission.

I am, &c.
(Signed) E. W. HAMILTON.

Enclosure in No. 5.

Foreign Office to Treasury.

11th August 1900.

The Marquess of Salisbury has given careful consideration to your letter of the 26th ultimo, and to the proposals of the Secretary of State for India with regard to the withdrawal of certain contributions hitherto made from Indian funds towards Her Majesty's Diplomatic and Consular Establishments in China, Persia, and Turkey.

I am directed by his Lordship to state that, in view of the recommendations of the Royal Commission on Indian Expenditure, he is prepared to accept the arrangement as modified by the Lords Commissioners of the Treasury, viz., that the contribution of 12,500*l.* towards the establishments in China should no longer appear as an appropriation-in-aid of the Diplomatic and Consular Vote, and that the 7,000*l.* now furnished by India towards Imperial expenditure in Persia should be reduced by 5,000*l.*

With regard to the payments for the maintenance of Her Majesty's Consulates at Jeddah, Momein, and Basra, I am to observe that the sum of 1,787*l.* does not correctly represent the amounts supplied by India for that purpose. The figures appear to have been taken from the Appropriation Account for 1898-99, which, amongst other things, only included a half-year's contribution in the case of Basra.

The items now stand as follows:—

	£	
For Jeddah - - - - -	790	
„ Momein - - - - - -	474	(maximum)
„ Basra - - - - -	1,400	
	£2,664	

I am also to point out that contributions have hitherto been received from India towards the expenses of two other consulates, viz.:—

	£	
For Kerman - - - - -	400	(maximum)
„ Chiengmai - - - - -	1,000	
	1,400	

Lord Salisbury entirely concurs in Lord George Hamilton's view that it is very desirable to put an end to the minor payments which are now made by India, and thus to simplify the accounts between the two Governments, and he gathers from the expressions contained in your letter that the Lords of the Treasury are of the same opinion.

The periodical revision of these assessments gives rise to some inconvenience, and to much lengthy correspondence. If the Secretary of State is asked to forego so large a sum as 17,500*l.* for the benefit of the Indian Exchequer, there seems to be no sufficient reason for disputing the exact figures at which the half share to be borne by India on account of each individual consulate should from time to time be fixed. Moreover, these special payments are apt to attract attention, and to give rise to adverse comment and criticism, relating as they do to places affected by so many diverse political considerations, and situated so far apart on the Red Sea and the Shatt-el-Arab and in remote provinces of Persia, China, and Siam.

It appears to his Lordship that the desired simplification of accounts can best be effected by merging the smaller payments in one general contribution, which, however much reduced, might still be regarded as a share of the Imperial expenditure in China, Persia, and Siam.

I am therefore to suggest, for their Lordships' consideration, that the Government of India should for the future contribute 6,000*l.* per annum to the Diplomatic and Consular Vote, this sum being arrived at approximately as follows:—

	£	£
Remnant of general contribution for Persia - - - -		2,000
Existing contributions for Jeddah - - -	790	
„ „ „ Mohein - - - -	474	
„ „ „ Basra - - - -	1,400	
		2,664
„ „ „ Kerman - - - -	400	
„ „ Chiengmai - - - -	1,000	
		1,400
		£6,064

The total amount at present paid from Indian revenues is 23,564*l.*, and the saving to India by reducing this sum to 6,000*l.* is 17,564*l.*, as compared with 17,500*l.*, the figure mentioned in your letter.

I am, &c.
(Signed) T. H. SANDERSON.

No. 6.

India Office to Treasu

F. 4728.

11th October 1900.

In acknowledging the receipt of your letter of the 11th of September, No. 14,137, respecting the apportionment of the Indian Home Charges, I am directed to express the concurrence of the Secretary of State in Council in the proposal that the contribution by the Government of India towards the expenses of the Persian Mission and the Minor Consulates shall be fixed at 6,000*l.* a year, or less by about 5,000*l.* than the amount for which they are at present liable.

With this modification of the suggestions made in Sir Arthur Godley's letter, dated the 17th of July, the relief to Indian revenues in the apportionment of the Home Charges will be approximately as follows:—

	£
Transport of troops - - - -	130,000
Aden - - - - - -	100,000
Zanzibar-Mauritius cable - -	10,000
China Establishments - - - -	12,500
Persian Mission, &c. - - - -	5,000
	257,500

This arrangement will take effect on the 1st of April 1901, up to which date the payments by India will remain unaltered.

The contribution of 230,000*l.* a year for the first two entries in the list will be subject to revision, if and when any alteration is made in the capitation rate for the Army Effective Charges.

I am, &c.
(Signed) HORACE WALPOLE.

No. 7.

Treasury to India Office.

No. 16959.

18th October, 1900.

I am directed by the Lords Commissioners of Her Majesty's Treasury to acknowledge the receipt of your letter of the 11th instant, from which they are glad to learn that the Secretary of State for India in Council accepts the proposals made in the letter from this Department of the 11th ultimo, relative to the transfer of certain annual charges from the revenues of India to those of the United Kingdom.

I am, &c.
(Signed) FRANCIS MOWATT.

INDIAN EXPENDITURE (ROYAL COMMISSION).

COPIES of any Correspondence between the SECRETARY OF STATE FOR INDIA IN COUNCIL and the TREASURY, on the subject of the Report of the Royal Commission on Indian Expenditure.

(Lord George Hamilton.)

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387.—SES

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